

**9/29/77**

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THE PRESIDENT'S SCHEDULE

Thursday - September 29, 1977

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8:15 Dr. Zbigniew Brzezinski - The Oval Office.

8:45 Mr. Frank Moore - The Oval Office.

9:00 Meeting with House Republican Group.  
(60 min.) (Mr. Frank Moore) - The State Dining Room.

10:30 Signing Ceremony for the Farm Bill.  
(15 min.) (Mr. Frank Moore) - The Rose Garden.

11:00 Mr. Jody Powell - The Oval Office.

12:00 Lunch with Vice President Walter F.  
(45 min.) Mondale, Secretary Michael Blumenthal,  
Dr. Arthur F. Burns, Mr. Charles Schultze  
and Mr. James McIntyre - Roosevelt Room.

2:30 News Conference. (Mr. Jody Powell).  
(30 min.) Room 450, EOB.

3:15 Drop-By Meeting/Chief Executives of Major  
(10 min.) Motion Picture Companies. (Ms. Midge  
Costanza - The Roosevelt Room.

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9/29/77

THE WHITE HOUSE  
WASHINGTON

Food & Ag Act of 1977

FAR REACHING - 40 YEARS

FAMILY FARM

PL 480 INT FOOD ASSIST.

FOOD STAMP - SIMPLE - FRAUD-ABUSE

RESEARCH

TARGET PRICES tied to PROD. COSTS

FOOD RESERVES - SAFEGUARDS

1977 TARGET/LOAN PRICES

MINIMIZE GOV'T INTERFERENCE

ACREAGE ALLOTS ELIMINATED

SET ASIDE AUTH MAINTAINED

\$300-600 M MORE  $\frac{1}{2}$  REDEM LOANS

FARMER - NUTRITION - CONSUMER

TALMADGE - FOLEY - POAGE - VERGLAND

THE WHITE HOUSE

WASHINGTON

September 29, 1977

To Jim Malone

Our mutual friend Charles Kirbo has apprised me of your kind invitation to address the Annual Meeting of the Catfish Farmers of America and the World Mariculture Society in early January next year.

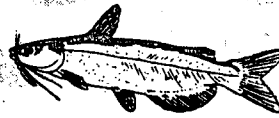
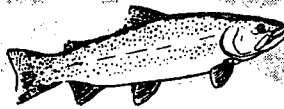
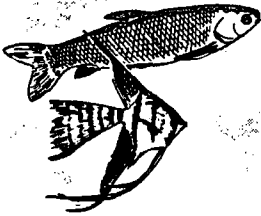
As much as I would like to meet with these groups, it appears that my schedule at that time will not permit a trip to Atlanta on the dates mentioned.

I do appreciate your inviting me, and please accept my best wishes for a successful Annual Meeting.

Sincerely,

JIMMY CARTER

Mr. Jim Malone  
President  
American Fish Farmers Federation  
Lonoke, Arkansas 72086



# AMERICAN FISH FARMERS FEDERATION

LONOKE, ARKANSAS 72086

*Pres. Carter*

September 13, 1977

Mr. Charles Kirbo  
Attorney at Law  
King and Spalding Attorneys  
Trust Company Tower  
Atlanta, GA 30303

Dear Mr. Kirbo:

The American Fish Farmers Federation earnestly solicits you to assist us in seeking President Carter to address the Annual meeting of the Catfish Farmers of America and the World Mariculture Society in Atlanta on January 5,6, 1978.

We feel that it would be a signal honor to the American Fish Farmers Federation, the Catfish Farmers of America and the World Mariculture Society if President Carter could address this convention.

Your assistance in this matter will be deeply appreciated.

Kindest regards.

Sincerely yours,

*Jim Malone*  
Jim Malone  
President

JM/rw

cc: Mr. Roy Wood  
Mr. Porter Briggs

*This is one way to get  
a mass of fish.  
These people are  
our friends  
CK.*

*Tim - Request  
Let me sign  
J*

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WASHINGTON

~~CONFIDENTIAL~~

from Secretary Adams

RECEIVED  
JAN 10 1960  
U.S. DEPARTMENT OF AGRICULTURE

THE WHITE HOUSE  
WASHINGTON

9/28/77

Mr. President:

No comments from Jack, ~~Stu~~  
~~er~~ Hamilton (who reviewed  
the memo on an "eyes only"  
basis).

Rick

THE PRESIDENT HAS SEEN.  
THE WHITE HOUSE  
WASHINGTON

C  
/

September 29, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT

Stu

SUBJECT:

Secretary Adams' memo  
re: Overton Park Highway  
Case

Secretary Adams' memo informs you of his decision to reject the proposal of the State of Tennessee to build a highway through Overton Park, a large public park in the center of Memphis.

The Overton Park matter is one of the most significant and controversial environmental cases in the country. The Supreme Court, five Federal Highway Administrators and four Secretaries of Transportation have ruled on this case. It is the leading case in interpreting Section 4(f) of the Department of Transportation Act, which states that the Secretary cannot authorize the use of federal funds to finance construction of highways through public parks if a feasible and prudent alternative route exists. Secretary Adams believes such an alternative exists; therefore, he is rejecting the latest proposal from the state.

Environmental groups will applaud this decision. However, you are likely to hear from the Tennessee Congressional delegation about this because the Tennessee Governor, Ray Blanton, and other officials will be very upset. This controversy has dragged on since 1956, and it has been a frustrating battle for these officials. The funds that would have gone into the Overton Park project will be available for other highway or transit uses by the state if it wishes to accept them.

No Presidential action is required or recommended concerning this issue, at this time. The Secretary's memo is simply to inform you of this important environmental/transportation decision. I have no objection to the decision.





THE PRESIDENT HAS SEEN.

THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

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September 29, 1977

ADMINISTRATIVELY CONFIDENTIAL/EYES ONLY

MEMORANDUM FOR THE PRESIDENT

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THROUGH: Jack Watson  
Stu Eizenstat  
Hamilton Jordan

SUBJECT: Interstate Route 40, Overton Park  
Memphis, Tennessee

I am prepared to issue a decision on Interstate Route 40 in Memphis, Tennessee, one of the most controversial highway projects in the United States. This project has been passed on by five Federal Highway Administrators and four Secretaries of Transportation.

As I indicated to you in my weekly memorandum of September 23, this is a very controversial issue which should be decided as soon as possible. The project has been pending at the Department for a long period of time and has evoked strong feelings between both local officials and environmental groups.

The project was started long before the National Environmental Protection Act was passed in 1972 and involves Interstate Route 40, which was scheduled to serve the central business district of Memphis, Tennessee. The design of this project requires the highway go through the middle of Overton Park, a large downtown park in Memphis containing a golf course, a zoo, and other recreational facilities. The project has very high visibility, since citizens groups in Memphis conducted a lengthy court battle to stop the project. The Supreme Court reviewed the case, reversed former Secretary Volpe's decision to build the highway through the park, and remanded the case to the District Court for a further hearing.

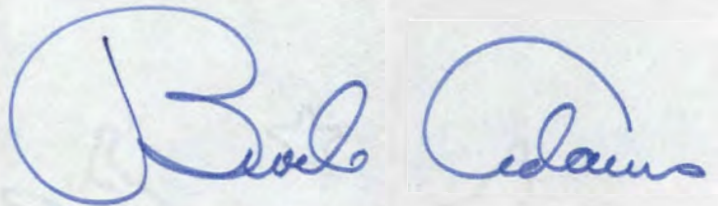
The court decision is very strict in limiting the use of park lands for transportation projects. Both Secretaries Brinegar and Coleman reviewed proposals from the State of Tennessee, and neither one approved a proposal, although

Secretary Coleman, without making a formal decision, indicated to the State of Tennessee that it could perhaps tunnel in some fashion through the park. The State of Tennessee later withdrew its proposal pending before Mr. Coleman and re-submitted another proposal to this Administration in the Spring of 1977.

Last week, Governor Ray Blanton called me again, which was the last of many, many telephone calls. He had attempted to talk directly with you, but was referred to me by Jack Watson. The Governor reminded me that I promised a prompt decision on this issue and stated that if the Federal government wanted some tunnel or other expensive project that went beyond the proposal of the State of Tennessee, then it could be paid for 100 percent by the Federal government. The Governor also indicated to me that the proposal of the State of Tennessee was the bottom line of the State, since it involved a depressed highway with over 40 percent of the park area covered by "decking" the highway.

Your staff has been made aware that any decision on this matter will be very controversial. On Friday, September 30, I will send the attached letter to the Governor of the State of Tennessee rejecting the proposal as not being in compliance with the Supreme Court decision. I will also indicate that the Department would, under existing law, make the interstate mileage available either for interstate construction elsewhere or interstate transfer, if they wish to submit a proposal.

I do not intend to make any formal announcement, but will be certain that copies of the letter are delivered simultaneously to the Senators and Members of the affected Congressional Districts, so that all will receive notice at the same time.



Beale Coleman



THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

September 30, 1977

Honorable Ray Blanton  
Governor of Tennessee  
Memphis, Tennessee 37219

Dear Governor Blanton:

As Secretary of Transportation, I have reviewed in detail the proposal of the State of Tennessee to complete construction of I-40 through Overton Park in Memphis.

As you know, I have met with the proponents and opponents of this project, have personally examined the park, and have reviewed the record.

My decision, as Secretary of Transportation, is to reject the proposal of the State of Tennessee to build I-40 through Overton Park. This proposal of the State of Tennessee does not meet the standards required by the Supreme Court in the case of Citizens to Preserve Overton Park v. Secretary John Volpe.

We will forward to the appropriate State officials the necessary documents through the regular Federal Highway Administration channels. The Federal Highway Administrator and I have discussed this matter and the appropriate officials in FHWA will be communicating with you and other State of Tennessee officials as to what you wish to do with the mileage involved in this project.

Very truly yours,

Brock Adams

cc: Senator James R. Sasser  
Senator Howard Baker  
Congressman Harold E. Ford  
Congressman Robin Beard  
Congressman Ed Jones

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE  
WASHINGTON

9:00 AM

C

September 28, 1977

MEETING WITH THE REPUBLICAN MEMBERS OF THE ALASKA, ARIZONA, CALIFORNIA, COLORADO, IDAHO, ILLINOIS, IOWA, KANSAS, MICHIGAN, MINNESOTA, MISSISSIPPI, MISSOURI, MONTANA, NEBRASKA, NEW MEXICO, NORTH DAKOTA, OKLAHOMA, SOUTH DAKOTA, TEXAS, UTAH, WASHINGTON, AND WISCONSIN CONGRESSIONAL DELEGATIONS

Thursday, September 29, 1977  
9:00 a.m. (60 minutes)  
The State Dining Room

From: Frank Moore *F. M.*

I. PURPOSE

To meet with the Republican Members from the Midwestern and Western states.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

Background: There are a number of ranking minority members attending this meeting: Elford Cederberg -- Appropriations; Bob Wilson -- Armed Services; Albert Quie -- Education and Labor; Joe Skubitz -- Interior and Insular Affairs; William Broomfield -- International Relations; Robert McClory -- Judiciary; Edward Derwinski -- Post Office and Civil Service; Charles Wiggins -- Select Committee on Ethics.

Participants: The President. Members of Congress on attached list, Frank Moore and his staff.

Press Plan: Brief national coverage at the beginning of the meeting.

III. TALKING POINTS

1. Water policy is of great concern to many Members of Congress, especially those from the Western states. You might want to mention that we are in the process of thoroughly reviewing all projects to determine a logical water policy.

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N.B. Rep. Del Clawson had hoped to be able to attend the meeting, but because he is in Bulgaria for the meeting of the Interparliamentary Union, he will not be able to. One of Clawson's constituents, Henry Oberndorf, prepared a book for you in commemoration of Flag Day. Rep. Glenn Anderson, (D-Calif), accepted the book at a Flag Day celebration and gave it to Clawson to present to you. Because of Clawson's absence, Rep. Wiggins will present the book to you at the end of the meeting.

<u>MEMBER</u>	<u>DISTRICT DATA</u>	<u>WHEN ELECTED</u>	<u>1976%</u>	<u>COMMITTEE ASSIGNMENT</u>
Don Young (R-Alaska)	Alaska at large Major city: Juneau 0% Central city; 0% surburban	1973	70.8	#6 Interior and Insular Affairs #7 Merchant Marine and fisheries
John Rhodes (R-Arizona-1)	South central part of state Major city: Tempe 52% Central city; 48% surburban	1952	57.3	Minority Leader
Eldon Rudd (R-Arizona-4)	Northeastern part of state Major city: Scottsdale 48% Central city; 9% surburban	1976	48.6	#13 Interior and Insular Affairs #10 Science and Technology
Don Clausen (R-California-2)	Northwestern coast Major city: Santa Rosa 18% Central city; 42% surburban	1963	56.0	#2 Interior and Insular Affairs #3 Public Works and Transportation
Pete McCloskey (R-California-12)	Central coast of state Major city: San Mateo 3% Central city; 97% surburban	1967	66.2	#5 Government Operations #2 Merchant Marine and Fisheries
William Ketchum (R-California-18)	Southeastern part of state Major city: Bakersfield 15% Central city; 77% surburban	1972	64.2	#10 Ways and Means
Robert Lagomarsino (R-California-19)	Southwestern part of state Major city: Santa Barbara 42% Central city; 52% surburban	1974	64.4	#10 Interior and Insular Affairs #10 International Relations
Barry Goldwater (R-California-20)	Southern coast Major city: Oxnard 42% Central city; 58% surburban	1969	67.2	#11 Public Works and Transportation #4 Science and Technology
Carlos Moorhead (R-California-22)	Southern coast Major city: Los Angeles 12% Central city; 88% surburban	1972	62.6	#10 Interstate and Foreign Commerce #7 Judiciary
John Rousselot (R-California-26)	Southern coast Major city: Los Angeles and San Marino 0% Central city; 100% surburban	1970	65.6	#4 Banking Finance and Urban Affairs #5 Budget #2 Post Office and Civil Service
Robert Dornan (R-California-27)	Southern coast Major city: Redondo Beach 25% Central city; 75% surburban	1976	54.7	#11 Merchant Marine and Fisheries #11 Science and Technology

<u>MEMBER</u>	<u>DISTRICT DATA</u>	<u>WHEN ELECTED</u>	<u>1976%</u>	<u>COMMITTEE ASSIGNMENT</u>
Del Clawson (R-California-33)	Southern coast Major city: Downy 0% Central city; 100% surburban	1963	55.1	#4 Rules
Shirley Pettis (R-California-27)	Southeastern corner of state Major city: San Bernadino 7% Central city; 93% surburban	1975	71.1	#10 Education and Labor #12 International Relations
Charles Wiggins (R-California-39)	Southern coast Major city: Los Angeles 33% Central city; 67% surburban	1966	58.6	#4 House Administration #3 Judiciary
Robert Badham (R-California-40)	Southern coast Major city: Santa Ana 7% Central city; 93% surburban	1976	59.3	#13 Armed Services #8 House Administration
Bob Wilson (R-California-41)	Southern tip of state Major city: San Diego 89% Central city; 11% surburban	1952	57.7	#1 Armed Services
Clair Burgener (R-California-43)	Southern part of state Major city: El Cajon 9% Central city; 75% surburban	1972	65.0	#16 Appropriations #7 Budget
James Johnson (R-Colorado-4)	Northern part of state Major city: Fort Collins 0% Central city; 20% surburban	1972	54.0	#6 Agriculture #9 Interior and Insular Affairs
William Armstrong (R-Colorado-5)	Eastern part of state Major city: Denver; Boulder 26% Central city; 68% surburban	1972	66.4	#14 Appropriations
Steven Symms (R-Idaho-1)	Northwestern half of state Major city: Boise City 15% Central city; 10% surburban	1972	54.6	#5 Agriculture #8 Interior and Insular Affairs
George Hansen (R-Idaho-2)	Northeastern half of state Major city: Idaho Falls 6% Central city; 1% surburban	1974	50.6	#6 Banking, Finance and Urban Affairs #8 Veterans' Affairs
Edward Derwinski (R-Illinois-4)	Northeastern corner of state Major city: Oak Park and Chicago 0% Central city; 100% surburban	1958	65.8	#2 International Relations #1 Post Office and Civil Service

<u>MEMBER</u>	<u>DISTRICT DATA</u>	<u>WHEN ELECTED</u>	<u>1976%</u>	<u>COMMITTEE ASSIGNMENT</u>
Henry Hyde (R-Illinois-6)	Northeastern corner of state Major city: Chicago; Evanston 0% Central city; 100% surburban	1974	60.6	#7 Banking, Finance and Urban Affairs #9 Judiciary
Philip Crane (R-Illinois-12)	Northeastern part of state Major city: Arlington Heights 0% Central city; 100% surburban	1969	72.8	#6 Ways and Means
Robert McClory (R-Illinois-13)	Northern part of state Major city: Elgin and Waukegan 0% Central city; 100% surburban	1962	66.8	#1 Judiciary
John Erlenborn (R-Illinois-14)	Northern part of state Major city: Elmhurst 0% Central city; 100% surburban	1964	74.4	#3 Education and Labor #2 Government Operations
Thomas Corcoran (R-Illinois-15)	Northern part of state Major city: DeKalb 0% Central city; 33 % surburban	1974	53.9	#11 Government Operations #8 Post Office and Civil Service
John Anderson (R-Illinois-16)	Northern part of state Major city: Rockford and Freeport 32% Central city; 36% surburban	1960	67.9	#2 Rules
George O'Brien (R-Illinois-17)	Eastern part of state Major city: Kankakee 0% Central city; 72% surburban	1972	58.2	#17 Appropriations
Robert Michel (R-Illinois-18)	Central part of state Major city: Peoria 27% Central city; 40% surburban	1956	57.7	#2 Appropriations
Thomas Railsback (R-Illinois-19)	Northwestern part of state Major city: Moline 27% Central city; 40% surburban	1966	68.5	District of Columbia #2 Judiciary
Paul Findley (R-Illinois-20)	Central part of state Major city: Springfield 20% Central city; 31% surburban	1960	63.6	#3 Agriculture #3 International Relations
Edward Madigan (R-Illinois-21)	Central part of state Major city: Bloomington 53% Central city; 31 % surburban	1972	74.5	#7 Agriculture #9 Interstate and Foreign Commerce



MEMBER	DISTRICT DATA	WHEN ELECTED	1970%		COMMITTEE ASSIGNMENT
James Leach (R-Iowa-1)	Southern part of state Major city: Iowa City 21% Central city; 9% surburban	1976	51.9	#11 #7	Banking, Finance and Urban Affairs Post Office and Civil Service
Charles Grassley (R-Iowa-3)	Northern part of state Major city: Mason City 16% Central city; 12% surburban	1974	56.5	#11 #9	Agriculture Banking, Finance and Urban Affairs
Keith Sebelius (R-Kansas-1)	Western half of state Major city: Salina 0% Central city; 0% surburban	1968	73.1	#2 #5	Agriculture Interior and Insular Affairs
Larry Winn (R-Kansas-3)	Eastern part of state Major city: Overland Park Kansas City; Lawrence 0% Central city; 83% surburban	1966	68.7	#7 #2	International Relations Science and Technology
Joe Skubitz (R-Kansas-5)	Southern part of state Major city: Wichita; Emporia 0% Central city; 17% surburban	1962	60.7	#1 #5	Interior and Insular Affairs Interstate and Foreign Commerce
Albert Quie (R-Minnesota-1)	Southern part of state Major city: Rochester 11% Central city; 43% surburban	1958	68.2	#1 #3	Education and Labor Standards of Official Conduct
Tom Hagedorn (R-Minnesota-2)	South central part of state Major city: Mankato 0% Central city; 19% surburban	1974	60.3	#12 #12	Agriculture Public Works and Transportation
Bill Frenzel (R-Minnesota-3)	Southwestern part of state Major city: Minneapolis 4% Central city; 96% surburban	1970	66.1	#6 #7	House Administration Ways and Means
Arlan Strangeland (R-Minnesota-7)	Northwestern part of state Major city: Moorhead 0% Central city; 6% surburban	1976			
Thad Cochran (R-Mississippi-4)	Southwestern corner of state Major city: Vicksburg 35% Central city; 14% surburban	1974	76.0	#8 #4	Public Works and Transportation Standards of Official Conduct
Trent Lott (R-Mississippi-5)	Southern part of state Major city: Gulfport; Biloxi 20% Central city; 10% surburban	1972	68.2	#6 #5	Post Office and Civil Service Rules

<u>MEMBER</u>	<u>DISTRICT DATA</u>	<u>WHEN ELECTED</u>	<u>1976%</u>	<u>COMMITTEE ASSIGNMENT</u>
E. Thomas Coleman (R-Missouri-6)	Northern part of state Major city: St. Joseph 30% Central city; 22% suburban	1976	58.5	#14 Agriculture #4 District of Columbia
Gene Taylor (R-Missouri-7)	Southern part of state Major city: Springfield 26% Central city; 7% suburban	1972	62.0	#4 Post Office and Civil Service #10 Public Works and Trans- portation
Ron Marlenee (R-Montana-2)	Eastern half of state Major city: Great Falls 35% Central city; 14% suburban	1976	55.0	#15 Agriculture #12 Interior and Insular Affairs
Charles Thone (R-Nebraska-1)	Northeastern part of state Major city: Lincoln 30% Central city; 6 % suburban	1970	73.2	#4 Agriculture #7 Government Operations
Manuel Lujan (R-New Mexico-1)	Northern part of state Major city: Santa fe; Albuquerque 48% Central city; 14% suburban	1968	72.1	#4 Interior and Insular Affairs #7 Science and Technology
Mark Andrews (R-North Dakota-1)	State at large Major city: Bismark 9% Central city; 3% suburban	1963	62.4	#5 Appropriations
Mickey Edwards (R-Oklahoma-5)	Central part of state Major city: Oklahoma City 79% Central city; 21% suburban	1976	49.9	#12 Education and Labor #14 Interior and Insular Affairs
Larry Pressler (R-South Dakota-1)	Eastern part of state Major city: Sioux Falls 22% Central city; 7% suburban	1974	79.8	#7 Education and Labor #10 Small Business
James Abdnor (R-South Dakota-2)	Western half of state Major city: Pierre 0% Central city; 0% suburban	1972	69.9	#9 Public Works and Trans- portation #5 Veterans' Affairs
James Collins (R-Texas-3)	Northern part of state Major city: Dallas 54% Central city; 46% suburban	1968	74.0	#6 Interstate and Foreign Commerce #3 Post Office and Civil Service
Bill Archer (R-Texas-7)	Southeastern part of state Major city: Houston 77% Central city; 23% suburban	1970	100.0	#3 Ways and Means

MEMBER	DISTRICT DATA	WHEN ELECTED	1976%	COMMITTEE ASSIGNMENT
David Marriott (R-Utah-2)	Western half of state Major city: Salt Lake City 33% Central city; 53% surburban	1976	52.4	#11 Interior and Insular Affairs #12 Small Business
Joel Pritchard (R-Washington-1)	Northern part of state Major city: Everett; Bellevue 68% Central city; 32% surburban	1972	71.9	#8 Government Operations #6 Merchant Marine and Fish eries
John Cunningham (R-Washington-7)	Central part of state Major city: Seattle 43% Central city; 57% surburban	1977		
William Steiger (R-Wisconsin-6)	Southern part of state Major city: Fond Du Lac; Oshkosh 12% Central city; 21% surburban	1966	63.3	#5 Ways and Means
Robert Kasten (R-Wisconsin-9)	Southeastern corner of state Major city: Milwaukee 0% Central city; 86% surburban	1974	65.9	#9 Government Operations #9 Small Business
Virginia Smith (R-Nebraska-3)	3/4 of state Major city: Grand Island 0% Central city; 0% surburban	1974	72.9	#18 Appropriations
<u>Not Able To Attend Last Meeting :</u>				
Matthew Rinaldo (R-New York-4)	Northeast coast of state Major city: Elizabeth 0% Central city; 100% surburban	1972	73.1	#11 Interstate and Foreign Commerce
Marc Marks (R-Pennsylvania-24)	Northwestern corner of state Major city: Erie 27% Central city; 28% surburban	1976	55.4	#14 Interstate and Foreign Commerce #5 District of Columbia

<u>MEMBER</u>	<u>DISTRICT DATA</u>	<u>WHEN ELECTED</u>	<u>1976%</u>	<u>COMMITTEE ASSIGNMENT</u>
Carl Pursell (R-Mich-2)	Ann Arbor; 53% white collar; 33% blue collar; 21% central city; 79% suburban.	1976	49.8	Education and Labor #11 Science and Technology #8
Garry Brown (R-Mich-3)	Kalamazoo; Battle Creek; 46% white collar; 39% blue collar; 5% black	1966	50.6	Banking, Finance and Urban Affairs #2 Government Operations #4
Dave Stockman (R-Mich-4)	Benton Harbor. 37% white collar; 47% blue collar; 6% black;	1976	60.0	House Administration #7 Interstate and Foreign Commerce #13
Harold Sawyer (R-Mich-5)	Grand Rapids; 55% white collar; 40% blue collar; 5% black; 42% central city; 46% suburban	1976	53.3	Judiciary #11 Veterans Affairs #9
Guy VanderJagt (R-Mich-9)	37% white collar; 46% blue collar; 4% black; 13% central city; 48% suburban.	1966	70.0	Ways and Means #4
Elford Cederberg (R-Mich-10)	Midland. 41% white collar; 41% blue collar; 11% suburban.	1952	56.5	Appropriations #1
Philip Ruppe (R-Mich-11)	Marquette. 41% white collar; 40% blue collar.	1966	54.8	Interior and Insular Affairs #3 Merchant Marine and Fisheries #1
William Broomfield (R-Mich-19)	53% white collar; 35% blue collar; 5% black; 95% suburban.	1956	66.7	International Relations #1 Small Business #4

10:30 AM

THE WHITE HOUSE  
WASHINGTON  
September 28, 1977

BILL SIGNING -- S.275, FOOD AND AGRICULTURE ACT OF 1977

Thursday, September 29, 1977  
10:30 a.m. (15 Minutes)  
Rose Garden (474 EOB - Indian  
Treaty Room - if rain)

From: Frank Moore *f.m.*

I. PRESS COVERAGE

Open

II. PARTICIPANTS

Secretary Bergland and Family

Senate

Herman Talmadge  
Robert Dole  
James Allen  
Walter Huddleston  
Patrick Leahy  
James Eastland  
George McGovern  
Dick Clark  
Henry Bellmon  
Milton Young  
Floyd Haskell  
Daniel Inouye  
Robert Morgan  
Quentin Burdick  
Ed Zorinsky

House

Daniel Akaka  
Mark Andrews  
Alvin Baldus  
John Breckenridge  
George Brown  
Paul Findley  
Thomas Foley  
E. de la Garza  
Dan Glickman  
Cecil Heftel  
Ed Jones  
Walter Jones  
Dawson Mathis  
Richard Nolan  
W. R. Poage  
Fred Richmond  
Keith Sebelius  
Ike Skelton  
Charles Thone  
Harold Volkmer  
William Wampler  
Jamie Whitten  
Leon Panetta  
Tom Harkin

Congressional Staff

Senate Agriculture Committee:

Mike McCleod  
Henry Casso

Carl Rose  
Dale Sherwin

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House Agriculture Committee:

Fowler West  
Bob Bor

Tony Imhoff  
Hyde Murray

Agriculture

John White  
A.S. Dale Hathaway  
A.S. M. Rupert Cutler  
A.S. Alex P. Mercure  
A.S. Carol Foreman  
A.S. Robert Meyer  
Jim Webster, Director, Congressional Liaison Office

Private Sector

Cyrus Carpenter, Minnesota Farmers Union  
Robert Tumpza, Minnesota Farmers Union  
Gene Wenstrom, Minnesota State Representative  
Neal Gillen, American Cottonshippers  
Fred Heinkel, Mid-Continent Farmers Association  
Oren Lee Staley, National Farmers Organization  
Tony Dechant, National Farmers Union  
Allan Grant, American Farm Bureau Federation  
Don Howe, National Association of Wheat Growers  
Jack Stone, National Cotton Council  
Samuel Stone, Committee for T.A.P.E.  
Emmett Reynolds, National Peanut Growers Group  
Kathleen O'Reilly, Consumer Federation of America  
Arnold Mayer, Amalgamated Meat Cutters  
Dr. R. D. Morrison, Alabama A & M  
Duane Acker, State Universities and Land Grant Colleges  
Larry Minear, Consultant on World Hunger  
Bob Partridge, National Rural Electric Cooperative Assoc.  
Howard Carlson, N.D. farmer  
Smokey Stokes, Chamber of Commerce  
Sharon Steffens, Agri-Women  
Marian Lenzen, WIFE (Women in Farm Economics)

III. TALKING POINTS

Statement prepared by Jim Fallows.

FIVE MONTHS AGO, IN APRIL, I SPOKE WITH THE AMERICAN PEOPLE AND WITH THE CONGRESS ABOUT ONE OF OUR MOST PRESSING NATIONAL NEEDS -- TO DEVELOP A COMPREHENSIVE ENERGY POLICY.

THE REASON WE HAVE TO ACT IS NOT BECAUSE WE FACE SHORTAGES OR EMERGENCIES TODAY, BUT BECAUSE WE MUST BEGIN PREPARING NOW TO PROTECT OUR FUTURE ECONOMIC WELLBEING AND OUR NATIONAL SECURITY.

WITH EVERY PASSING DAY, OUR ENERGY PROBLEMS BECOME MORE SEVERE.

WITH EVERY PASSING DAY, OUR ENERGY PROBLEMS BECOME MORE SEVERE. ALMOST UNBELIEVABLY, WE HAVE ALREADY SPENT MORE THAN \$23 BILLION ON FOREIGN OIL THIS YEAR. GASOLINE CONSUMPTION WAS HIGHER THIS SUMMER THAN EVER BEFORE. HALF OF THE GASOLINE AND OIL WE USED, MUCH OF IT WASTEFULLY, CAME FROM FOREIGN COUNTRIES. NO MATTER HOW HARD WE TRY TO IGNORE IT, OUR ENERGY PROBLEM IS NOT GOING AWAY.

THERE IS NO EASY WAY TO ESTABLISH A COMPREHENSIVE ENERGY POLICY.



NO INTEREST GROUP OR ORGANIZATION CAN BE TOTALLY  
SATISFIED WITH EVERY PART OF THE PLAN. BUT THE HOUSE OF  
REPRESENTATIVES HAS MET THIS DIFFICULT CHALLENGE COURAGEOUSLY  
AND ADOPTED ALMOST ALL OF THE PROGRAM PROPOSED LAST APRIL.

THIS PROPOSAL IS BALANCED, FAIR AND COMPREHENSIVE.  
IT CONTAINS INCENTIVES FOR CONSUMERS TO CONSERVE, AND FOR  
PRODUCERS TO INCREASE NEW SUPPLIES.

BY RELYING ON INCENTIVES -- RATHER THAN PROHIBITIONS  
AND REGULATION -- IT KEEPS TO A MINIMUM THE DIRECT GOVERNMENT  
CONTROLS THAT WOULD OTHERWISE BE NECESSARY TO COPE WITH OUR  
ENERGY PROBLEMS.

OIL PRODUCERS WILL RECEIVE THE EQUIVALENT OF THE  
WORLD PRICE FOR NEWLY DISCOVERED OIL. BETWEEN NOW AND 1990,  
OIL AND GAS PROFITS FROM DOMESTIC EXPLORATION AND PRODUCTION  
WILL EXCEED \$430 BILLION.

WE ACCEPT THESE INCENTIVES, BECAUSE THEY ARE NECESSARY TO DEVELOP FUTURE SUPPLIES OF OIL AND NATURAL GAS. WHAT WE DO NOT ACCEPT IS THE ARGUMENT THAT WE NEED TO PROVIDE INCENTIVES FOR WELLS THAT WERE DRILLED IN 1970 OR 1972, WHEN OIL PRICES WERE ONE-FOURTH OF WHAT THEY ARE NOW. WE DO NOT ACCEPT WINDFALL PROFITS FOR EFFORTS THE PRODUCERS HAVE ALREADY MADE.

I DO NOT SUPPORT COMPLETE DEREGULATION OF NATURAL GAS PRICES WHICH WOULD PROVIDE WINDFALL PROFITS WITHOUT SIGNIFICANTLY INCREASING SUPPLY. DEREGULATION WOULD COST CONSUMERS AN EXTRA \$70 BILLION BY 1985, BUT WOULD INCREASE SUPPLIES BY LITTLE, IF ANY. GAS PRICES HAVE ALREADY RISEN BY 500 PERCENT OVER THE LAST SIX YEARS, BUT WE ARE PRODUCING LESS NATURAL GAS TODAY THAN WE DID IN 1972.

ALONG WITH PRODUCTION INCENTIVES, THE NATIONAL ENERGY PLAN ALSO CONTAINS VITAL MEASURES TO CONSERVE ENERGY AND REPLACE OUR PRECIOUS OIL AND GAS WITH MORE ABUNDANT FUELS, SUCH AS COAL. LET ME MENTION THREE OF THE MOST IMPORTANT OF THESE CONSERVATION MEASURES:

UNLESS WE PASS THE OIL EQUALIZATION TAX, WE WILL, IN EFFECT, CONTINUE TO SUBSIDIZE IMPORTS OF OIL.

THE GAS GUZZLER TAX IS CRUCIAL BECAUSE IT PROVIDES A CONTINUOUS ECONOMIC INCENTIVE FOR CONSUMERS TO BUY -- AND AUTOMAKERS TO PRODUCE -- MORE FUEL-EFFICIENT CARS.

LARGE INDUSTRIAL USERS OF OIL AND NATURAL GAS MUST BE PERSUADED TO CONVERT TO COAL AND OTHER FUELS. THIS EFFORT ALONE COULD ACCOUNT FOR FORTY PERCENT OF THE TOTAL OIL SAVINGS IN THE ENERGY PROGRAM.

FINALLY, THE RATE STRUCTURE FOR ELECTRIC POWER MUST BE MODIFIED TO DISCOURAGE WASTE.

WE ARE AT A TURNING POINT IN ESTABLISHING A COMPREHENSIVE ENERGY PROGRAM. THE HOUSE OF REPRESENTATIVES HAS ACTED. THE SENATE IS STILL IN THE PROCESS.

I'D LIKE TO TAKE THIS OPPORTUNITY TO THANK THE MAJORITY LEADER AND OTHERS FOR THEIR WORK TOWARDS RESOLVING THE DIFFICULT QUESTIONS NOW FACING THE SENATE.

IT IS A DIFFICULT JOB, AND AT TIMES AN UNPLEASANT ONE. BUT THE PRICE OF FAILING TO ENACT A COMPREHENSIVE ENERGY PROGRAM IS TOO HIGH.

I THINK THAT THE AMERICAN PEOPLE ARE EXPECTING  
THEIR GOVERNMENT -- THE CONGRESS AND THE EXECUTIVE BRANCH --  
TO ESTABLISH AN ENERGY PROGRAM.

# # #



THE WHITE HOUSE

WASHINGTON

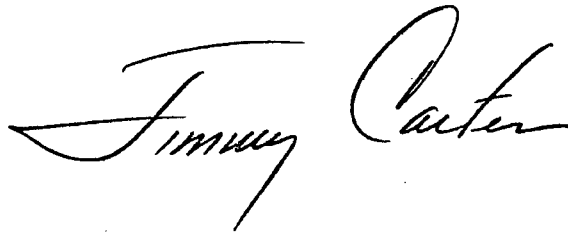
September 29, 1977

Dear Senator Byrd:

I have sent the enclosed letter to Speaker O'Neill about my concern that over one-half billion dollars may be wasted on unneeded B-1 bombers and Minuteman III missiles.

I hope that you and the Senate will assist me in this effort to avoid unneeded spending.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

The Honorable Robert Byrd  
Majority Leader  
United States Senate  
Washington, D. C. 20510

THE WHITE HOUSE

WASHINGTON

September 29, 1977

Dear Mr. Speaker:

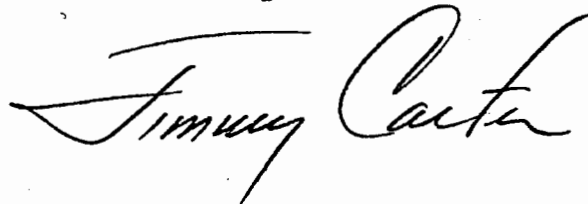
Unless the Congress acts soon, over one-half billion dollars will be wasted on unneeded defense purchases.

In acting on 1978 appropriations for Defense, the Congress agreed with my proposals for no additional B-1 bombers or Minuteman III missiles. Despite that agreement, the House Appropriations Committee recommended that no Congressional action be taken to rescind funds previously appropriated for the same purposes. This means that the Congress will force the Defense Department to produce weapons systems that the Congress has agreed are no longer needed.

Mr. Speaker, my opinion is that this matter has not yet been fully considered and I hope that you will personally help me to prevent a serious mistake.

Additional B-1 bombers and Minuteman III missiles are simply not needed to defend our country. The enclosed summary sheet outlines the reasons for my concern. The Secretary of Defense and members of the Joint Chiefs of Staff will be glad to provide further information and the reasons for our urgent request that you and the House give this matter further consideration.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned below the word "Sincerely,".

The Honorable Thomas P. O'Neill, Jr.  
Speaker of the House of Representatives  
Washington, D. C. 20515

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To Speaker Tip O'Neill

Same to.  
Senator Robert Byrd

We are preparing now to waste more than a  
billion dollars.

Perhaps because of inadequate attention being  
focused on three important requests for rescission, the  
Congress has so far provided for mandatory production  
of three weapon systems which I and Defense Department  
officials consider to be absolutely unnecessary.

{ Senator Byrd,  
Mr. Speaker, my opinion is that my Administration  
and the members of Congress have not yet ~~adequately~~ *fully*  
considered these rescission requests, and I hope that  
you will personally help me to prevent a serious mistake.

Additional B-1 bombers, Minuteman III missiles,  
and the Patrol Hydrofoil ships are simply not needed  
to defend our country. The enclosed summary sheets  
outline the reasons for my concern. The Secretary of

Defense and members of the Joint Chiefs of Staff  
will be glad to provide further information and the  
reasons for our resubmission of these rescission  
requests.

Respectfully yours,

The Honorable Thomas P. O'Neill, Jr.  
Speaker  
U.S. House of Representatives  
Washington, D.C.

TALKER

## Defense RESCISSIONS

- B-1 Rescission

- The proposed rescission (\$463.4M) for B-1 and Short Range Attack Missiles (SRAMs) is a consequence of the decision to cancel B-1 production -- it rescinds uncommitted FY 77 funds for aircraft 5, 6, and 7. The first four aircraft are adequate for completing the B-1 development program.

- ~~The rescission money would permit~~  
Best estimate is that completion of aircraft 5 and 6 would require approximately \$600M. ~~leave no significant funds for their testing operation.~~
- These aircraft are not needed for testing, nor will they have an operational value as part of the force.

- There are no procurement funds in the FY 78 Appropriations Bill just passed by the Congress.

*Completion of*  
Admittedly, ending production with aircraft 5 allows rapid disappearance of a production base. *San Diego would maintain*

- We view the B-1 as an option against totally unexpected events. Because odds are against start-up, it is too expensive to keep production going simply to reduce prospective lead times and start-up costs.

- Minuteman III Rescission

- Proposed rescission is \$105M. Stems from our decision to terminate Minuteman III after producing final ten missiles with FY 77 funds.
- Neither the Ford nor our FY 78 budget contained funds for additional Minuteman IIIs. When to terminate became the question at issue.
- Decision was based on the following:

- Increasing the *Potential* size of Minuteman III force is not a preferred option for enlarging our strategic capability, *because of increasing vulnerability.*  
~~Within present constraints Minuteman force increases would be at expense of less vulnerable weapons.~~

- Sufficient spare missiles are available for operational testing in the future.

*Either terminate entirely or amend as shown*

- PHM Rescission

- The Congress has denied our PHM rescission request, for over \$125 million, (plus an additional ~~\$125M~~ <sup>\$145</sup> transferred from "cost growth").

— There are good and justifiable reasons for the rescission.

- ② — PHM has no capability against the greatest Soviet navy threat -- submarines.

- ③ — Useful to counter a Soviet surface threat, But we and Allies have an in-being potent anti-surface capability.

④ — There was very little ~~serious~~ consideration of the rescission -- no hearings in the Senate and limited inquiry in the House.

- ⑤ — PHM is expensive. Instead of \$18M, <sup>estimated in 1973,</sup> each craft, ~~now~~ costs \$60-70M.

- ⑥ — <sup>And</sup> Because of a limited range (1150 n.m. at 11.5 kts off the foils, <sup>is currently estimated to</sup> or 750 n.m. at 45 kts on the foils), it cannot respond rapidly to a crisis in a distant area.

- ⑦ — Essentially, it is a coastal patrol mission -- not one for US Navy ships in a European scenario.

- ⑧ — Navy has high priority procurement programs on which to use the money, e. g. <sup>surface escorts, nuclear attack submarines, and Trident missile submarines.</sup>

⑨ — Actions required of SecDef under the Impoundment Act do not preclude the possibility of pursuing rescission further; thus, we could try again on the PHM rescission request. In the light of the House Appropriations Committee action, I think favorable action on PHM rescission by them is unlikely. Moreover, Jackson and Magnuson (senior members of Senate Defense Appropriations Committee) could probably prevent approval of rescission in Senate. If we fail to sign PHM contract by Friday, September 30 (when commitment by Boeing on PHM price expires) Jackson will be sure we plan another rescission attempt.

- On the whole, I suggest we not try another PHM rescission. We did try it once; the Congressional rejection makes our case -- and brings the total for the three items to about a billion dollars. ]



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

September 29, 1977

MEMORANDUM FOR THE PRESIDENT

FROM:

Jim McIntyre

*Jim McIntyre*

Frank Moore and I agree that it would not be wise to criticize the Senate for inaction on the B-1 and Minuteman rescissions, since the Senate has not yet had a chance to act and may very well support our position next week. Thus, we are proposing that you send Senator Byrd a short note with an information copy of your letter to the Speaker.

September 29, 1977

## DEFENSE RESCISSIONS

### B-1 Rescission

- The proposed rescission (\$463.4M) for B-1 and Short Range Attack Missiles (SRAMs) is a consequence of the decision to cancel B-1 production -- it rescinds uncommitted FY 77 funds for aircraft 5, 6, and 7. The first four aircraft are adequate for completing the B-1 development program.
- The rescission money would permit completion of aircraft 5 and 6.
- These aircraft are not needed for testing, nor will they have an operational value as part of the force.
- There are no procurement funds in the FY 78 Appropriations Bill just passed by the Congress.
- We view the B-1 as an option against totally unexpected events. Because odds are against start-up, it is too expensive to keep production going simply to reduce prospective lead times and start-up costs.

### Minuteman III Rescission

- Proposed rescission is \$105M. Stems from our decision to terminate Minuteman III after producing final ten missiles with FY 77 funds.
- Neither the Ford budget nor our FY 78 budget contained funds for additional Minuteman IIIs. When to terminate became the question at issue.
- Decision was based on the following:
  - Increasing the size of Minuteman III force is not a preferred option for enlarging our strategic capability, because of increasing potential vulnerability.
  - Sufficient spare missiles are available for operational testing in the future.



### PHM Rescission

- The Congress has denied our PHM rescission request, for over \$125 million (plus an additional \$145M transferred from "cost growth"). There was very little consideration of the rescission -- no hearings in the Senate and limited inquiry in the House.
- There are good and justifiable reasons for the rescission.
  - PHM has no capability against the greatest Soviet navy threat -- submarines.
  - Useful to counter a Soviet surface threat. But we and Allies have an in-being potent anti-surface capability.
  - And because of a limited range (1150 n.m. at 11.5 kts off the foils, or 750 n.m. at 45 kts on the foils), it cannot respond rapidly to a crisis in a distant area.
  - Essentially, it is a coastal patrol mission -- not one for US Navy ships in a European scenario.
  - PHM is expensive. Instead of \$18M, estimated in 1973, each craft is currently estimated to cost \$60-70M.
  - Navy has high priority procurement programs on which to use the money; e.g., surface escorts, nuclear attack submarines, and Trident missile submarines.

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

September 26, 1977

MEETING WITH REPRESENTATIVES OF THE MOTION PICTURE ASSOCIATION OF AMERICA

Thursday, September 29, 1977

3:15 p.m. (10 minutes)

Roosevelt Room

From: Margaret Costanza MC

3:15 PM

C

X TOP

I. PURPOSE

Drop by and brief remarks during the meeting between the representatives of the Motion Picture Association of America and members of the Administration.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: Many of the participants were among your closest supporters during the campaign and have continued this support for you and the Democratic Party since the inauguration. Special mention should be given to Mr. Arthur Krim, Chairman of the Board of United Artists Corporation, who was the Chairman of the New York Salute to the President Dinner of June 23rd, and Mr. Lew Wasserman, Chairman of the Board of MCA, Inc., who is the Chairman of the Los Angeles Salute to the President Dinner of October 22nd.

In addition to the White House briefing, the group is also invited to the Vice President's home for dinner that evening.

B. Participants: See Tab A

C. Press Plan: White House photo and press opportunity

III. TALKING POINTS

The following topics will be discussed:

1. Forecast for the economy and a brief discussion of the President's budget and its impact on inflation and unemployment;  
The Honorable W. Michael Blumenthal, Secretary of the Treasury
2. Trade barriers, both tariff and non-tariff, as they pertain to films;  
Ambassador Robert Strauss, Special Representative for Trade Negotiations
3. A discussion of piracy in the film industry.  
The Honorable Peter Flaherty, Deputy Attorney General

Note: Although not on the agenda, this would be an excellent opportunity to discuss the merits of the Panama Canal Treaties with this most distinguished and influential group of Americans.

TAB "A"

REPRESENTATIVES OF THE MOTION PICTURE ASSOCIATION OF AMERICA

Allied Artists Pictures Association

Mr. Emanuel L. Wolf  
President

Avco Embassy Pictures Corporation

Mr. William E. Chaikin  
President

Columbia Pictures Industries, Inc.

Mr. Leo Jaffe  
Chairman of the Board

Mr. Alan J. Hirschfield  
President

Mr. David Begelman  
President  
Columbia Pictures

Mr. Herbert Allen, Jr.  
Member, Board of Directors

Metro-Goldwyn-Mayer, Inc.

Mr. Frank Rosenfelt  
President and Chief Executive Officer

Paramount Pictures Corporation

Mr. Charles Bluhdorn  
Chairman of the Board  
Gulf + Western Industries

Mr. Barry Diller  
Chairman of the Board

Mr. Michael Eisner  
President

REPRESENTATIVES OF THE MOTION PICTURE ASSOCIATION OF AMERICA (continued)

20th Century-Fox Film Corporation

Mr. Dennis C. Stanfill  
Chairman of the Board

Mr. Alan Ladd, Jr.  
President

United Artists Corporation

Mr. Arthur Krim  
Chairman of the Board

Mr. Eric Pleskow  
President and Chief Executive Officer

Mr. Bob Benjamin  
Executive Consultant

MCA, Inc. (Universal Pictures)

Mr. Lew Wasserman  
Chairman of the Board

Mr. Sidney Sheinberg  
President

Warner Bros., Inc.

Mr. Ted Ashley  
Chairman of the Board

Mr. Frank Wells  
President

Motion Picture Association of America, Inc.

Mr. Jack Valenti  
President

Mr. Griffith Johnson  
Executive Vice President

Louis Nizer, Esquire  
General Counsel

ADMINISTRATION PARTICIPANTS

The Honorable Margaret Costanza  
Assistant to The President

The Honorable W. Michael Blumenthal  
Secretary of the Treasury

The Honorable Peter Flaherty  
Deputy Attorney General

Ambassador Robert Strauss  
Special Representative for Trade Negotiations

FALLOWS TALKING  
POINTS

THE WHITE HOUSE

WASHINGTON

September 28, 1977

MEMORANDUM TO THE PRESIDENT

FROM: JIM FALLOWS *JL*  
SUBJECT: Meeting with Movie Industry Executives

Rick Hertzberg suggests these topics:

1. Background. Many of those in the room were warm supporters of yours during the campaign and continue to support you and the Democratic party now. If there is an opportunity, you might want to say a private word of thanks to Arthur Krim of United Artists, who chaired the Salute to the President Dinner in New York in June, and Lew Wasserman of MCA, who is chairing a similar dinner in Los Angeles next month.

At the time of your appearance, the group will have already heard from Midge Costanza, Mike Blumenthal, and Peter Flaherty, and will be hearing from Bob Strauss afterwards.

2. Humor. If it seems appropriate, you might start with something like:

"I'm glad you all could be here today, because I want to discuss something that is of great concern to you and certainly of great concern to me--the movie rights to "Why Not The Best?" The hardest role to cast will be that of the Georgia peanut farmer who runs for President. Jody thinks it should be Charlton Heston, because he's had such good preparation in "The Ten Commandments" and also "Planet of the Apes." I don't mind who it is--as long as it's not Jason Robards."

3. Industry problems. The products of the movie industry--both theatrical films and television productions--are among America's most desired exports. In one form or another they reach every nation in the world except for a handful of small Communist countries (North Korea, Cuba, Vietnam, Laos, and Cambodia). These products account for some \$400 million in favorable trade balances for the United States.

You might say that you are sensitive to the industry's problems, two of them in particular--film piracy, which is widespread both here and abroad, and the various forms



of non-tariff trade barriers (import restrictions, dubbing and printing restrictions, import and distribution monopolies, etc.) imposed by some foreign countries. Within the context of our overall foreign policy, the federal government has supported efforts to remove or ameliorate these barriers and will continue to do so.

In a broader sense, beyond the commercial considerations, the United States supports a free flow of ideas and information across national borders as a matter of principle. And while we understand the concerns of Third World and other countries about what they call "cultural imperialism" and about supporting their own film industries, making the flow of information a two-way street is a far better approach than trying to restrict it.

4. Panama Canal. Alternatively, or in addition, you might want to enlist the support of this very influential and civic-minded group for the bipartisan effort on behalf of the treaties.

FOR 3:51 MEETING

September 29th  
11:30 a.m.

Stu said that Bob Strauss thought you should say the following two things to the 3:15 group of Chief Executives of Major Motion Picture Companies:

(1) You are concerned about the problem of film piracy....under which people here and abroad are showing film without paying the producer. Your Administration is looking into ways to deal with this problem.

(2) You have asked Bob Strauss to examine the non-tariff barriers to the film trade which is hurting the industry now, looking into the unrealistic standards which have been established by foreign countries for importing our films.

12:00 PM

THE PRESIDENT HAS SEEN.

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

C

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September 28, 1977

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze <sup>CLS</sup>

Subject: Monthly Meeting with Economic Advisers and  
Federal Reserve Board Chairman (Quadriad)

Discussion at tomorrow's meeting of the Quadriad might center on the following areas:

- the outlook for business fixed investment and the pace of expansion.
- recent monetary developments.

The following material provides some background for this discussion.

1. Business Fixed Investment and the Prospects for Expansion

Recent figures on retail sales suggest that an upturn in consumer spending began in July and continued in August. If this strengthening in consumer spending continues, it is likely to stimulate businesses to increase their production schedules, since inventories are lean. Businesses, however, are in a very cautious and uncertain mood, and maintenance of a satisfactory rate of economic growth over the rest of this year, and particularly into 1978, is by no means assured.

We are still counting heavily on a strong rise of business fixed investment to sustain economic expansion. Recent indicators of prospects for this sector have not been as strong as we would like -- there have been some pluses but also some minuses.

The latest Commerce survey indicates upward revisions in business plans for capital spending. The rate of increase in spending indicated in the new survey for the second half of 1977 brings planned outlays up fairly close to our projections.

- . The Conference Board's second quarter survey of capital appropriations by major manufacturing firms showed a strong rise.
- . But production of business equipment, which had been rising rapidly earlier this year, turned down in August, and new orders of nondefense capital goods declined in August for the second straight month.

The last two indicators inject a further note of uncertainty into the outlook for business capital spending and are perceived as a cause for concern by many economic observers.

In discussion of these matters, Chairman Burns may indicate that he and other members of the Federal Open Market Committee consider some slowing in the pace of expansion from the rate in the first half year to be healthy. We agree that the 7 percent pace in the first half of 1977 was not sustainable. The question is how much of a slowdown is acceptable in the face of need for continuing progress in gradually lowering unemployment.

## 2. Recent Monetary Developments

Recent monetary developments continue to be dominated by Federal Reserve efforts to slow the growth rate of the money supply.

- . The Federal Reserve's long-range target for growth of the narrowly defined money supply ( $M_1$ ) is 4 to 6-1/2 percent.
- . Since April,  $M_1$  has been growing erratically, but relentlessly, at a pace far above the target range. Growth in the second quarter was at an 8-1/2 percent annual rate, and the rate of increase may be even higher in the third quarter.
- . The Federal Reserve has responded by raising the interest rate it controls gradually, but steadily, from 5-3/8 percent in May to about 6-1/4 percent presently.

- . Short-term market interest rates have followed the Federal funds rate up. The rate on 3-month Treasury bills has risen to almost 6 percent in the latest week, the highest since late 1975. The prime rate rose to 7-1/4 percent the week before last and is likely to rise further late this week or next. Interest rates on long-term marketable securities, however, have not as yet been affected.

The increase in short-term interest rates has thus far had little adverse effect on the recovery, as far as we can detect. Market observers believe, however, that the Fed is set on a path of gradual but continuing increases in short-term interest rates to bring money growth into line with their targets. We are concerned:

- . that the rate of increase in money velocity is slowing down from the rapid pace of the past two years. If this is true, the Fed's current targets for money growth could be inconsistent with continued healthy expansion.
- . that uncertainty about how far the Fed will go in pushing up interest rates is injecting an additional note of unease into the economic climate. It certainly is affecting the stock market adversely.

In discussion of these matters, it is likely that Chairman Burns will agree with our desire to maintain healthy expansion. However, he may argue that continued growth in the money supply above the target range will fuel acceleration of inflation.

No one doubts that too rapid an expansion of the money supply will eventually lead to inflation. But the question at issue is, how much is too much?

- . The underlying rate of inflation is presently in the 6 to 6-1/2 percent range, and is unlikely to change much in the next 12 to 18 months. If real economic growth is around 5 percent, the current dollar value of GNP will be rising by 11 to 11-1/2 percent a year.

- . During the first two years of the recovery, the velocity of  $M_1$  -- that is, the ratio of GNP to  $M_1$  -- rose at an average annual rate of 6-1/2 percent. If velocity were to continue rising at a 6-1/2 percent rate, we could finance an increase in nominal GNP of 11 to 11-1/2 percent with about a 5 percent rise of  $M_1$ .
- . During the last two quarters, however, the rise in velocity of  $M_1$  has slowed to less than a 2 percent annual rate. If that slow rate of increase continues, efforts by the Fed to hold growth of  $M_1$  to within its target range could seriously damage the recovery. Since the underlying inflation rate is not likely to recede, at least in the near future, inadequate money growth will mean inadequate expansion of the real economy and rising unemployment.

Chairman Burns may also indicate that recent rapid growth in mortgage and consumer credit is overstraining the financial capacity of households and contributing to real estate speculation in some parts of the country. We do not see overextension of consumer credit as a current problem. Mortgage credit is increasing at a disconcertingly high rate. But slowing down the overall growth of the economy seems too heavy a price to solve problems in that sector.

Other points that Burns may raise

1. Tax reform. You have his letter.
2. The worsening trade and current account deficit. You have Mike Blumenthal's memo and are aware of our joint effort with Jim Schlesinger on further limits to oil imports.

We have a problem, but it is in no sense unmanageable. The worst thing we could do is show alarm. Mike Blumenthal handled it well at his press conference yesterday, after announcing that we might have a 1977 trade deficit as large as \$30 billion. He said, in effect, "The United States will have a very large trade deficit, and that is worrisome. But because of our strength as an economy and as a good place to invest, we can handle it."

The foreign exchange markets did not react unfavorably to Monday's release of the trade figures or to Mike's announcement. This strongly suggests that knowledgeable

observers already were aware of the size of the potential deficit, and that we may have been excessively worried about the effect of acknowledging it officially.

THE WHITE HOUSE  
WASHINGTON  
September 29, 1977

Stu Eizenstat

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson

RE: BOWHEAD WHALES - HANDWRITTEN  
NOTE



THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
✓		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE  
WASHINGTON

9-29-77

To Stu

I don't want  
to approve hunting  
of bowhead whales

T.C.

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

September 29, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE

SUBJECT: JIM WRIGHT - TELEPHONE CALL

Jim Wright has been working very hard on the IFI problem. He spent two hours today with Chairman Mahon, Congressman Clarence Long and Congressman Bill Young.

Jim has called you, and you need to return his call. Here is what he is going to say: Clarence Long is the Democrat problem. Bill Young has agreed not to be an obstructionist. He needs something to take back to the Republican Members who have been supporting him on the "prohibition of direct or indirect aid." Young wants some type of government study on the performance of the International lending institution. You should tell Jim that you will check with Secretary Blumenthal and that Blumenthal or you will give a report at the meeting tomorrow. In fact, Blumenthal already has some thorough, on-going studies of International lending institutions. You could rename these Presidential blue ribbon agency task forces at the President's direction, so as to appear to be giving Jim what he needs to affect his compromise.

Jim expects a call back from you this afternoon.

*Phil  
Argentina  
Uganda  
Cambodia  
Laos  
✓ Nam  
Cuba*

*Roybal  
Burke*

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THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

September 28, 1977

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CLS*  
Subject: The Energy Program -- Remarks for your  
Press Conference

I am attaching some suggested talking points you might want to use at your press conference tomorrow.

Attachment  
cc: Jim Fallows  
Jody Powell

*Original was given to Dave Rubenstein  
for inclusion in briefing book*

## Suggested Talking Points on Energy

The United States is facing a critical test of its will and maturity as a Nation

- o There is no way we can face up to the energy problem without some sacrifices -- they are modest sacrifices, but real ones
- o The program I propose spreads the burden fairly
- o But if producer groups insist on getting large windfall profits from the energy prices, if regional interests insist on avoiding any inconvenience, and if lobbyists for consumer groups insist on preventing any significant increase in the price of gas -- then there will be no energy program.

The test of a mature people is their ability to act today to meet the problems of tomorrow

- o Today there is no physical shortage of oil
- o But without an energy program, there will be one tomorrow
- o Because we can buy gasoline and heat our homes at relatively cheap prices today, it is easy to postpone, for several years, accepting the reality of the new age of energy scarcity. We have already delayed too long, so that four years after the oil embargo the United States still does not have an energy policy
- o We can probably kid ourselves for a while longer, but that will only make the next crisis much worse, the adjustments much costlier and the sacrifice more painful.

We are already importing one half of our oil consumption. In the first six months of this year we imported \$23 billion of oil and, as a consequence, are running a huge deficit in our international trading accounts -- without those imports we would be running a surplus

- o We can probably go on for a while continuing to increase our already swollen bill for oil imports
- o But the longer we do so, the easier it will be for the oil producing nations to raise their prices still further, pushing even higher the drain on our resources -- and so the vicious circle will go on
- o The United States is the largest agricultural exporter in the world. But it already takes our entire agricultural exports for two years to pay for one year's worth of oil imports. For awhile we could probably go on paying out these increasing sums, but the piper eventually has to be paid.

\*\*\*\*\*

The plan I proposed to the Congress earlier this year, and the one that was enacted by the House of Representatives with some modifications, is a balanced plan. There are incentives for consumers to conserve and producers to produce.

- o Oil producers under our proposals will receive the world price for newly discovered oil (about \$14 a barrel -- some 4 times the price only 4 years ago) and a handsomely increased price for new gas. In fact, discovering a new barrel of oil in the United States, under my program, would command a reward to the producer higher than anywhere else in the world. We think this is reasonable for incentive purposes. But we do not accept that those who drilled wells in 1970 -- when oil prices were one-fourth of what they are now -- should receive windfall gains from past efforts.
- o We will bring the price of oil up to world levels. But windfall gains from this action would be prevented by the wellhead tax. Returning the revenues of the wellhead tax to producers would be wasteful and inefficient. Oil industry revenues are more than adequate to finance exploration and development through 1985.

- o The idea that deregulation of natural gas will solve our energy problems is illusory: gas prices have risen four-fold over the last four years, yet production today is lower than in 1972. Our natural gas proposal does raise the price of natural gas, and gives adequate incentives for drilling new wells, but prevents the extreme disruptions which could arise with complete decontrol. I am open to reasonable compromise and accommodation on this issue; but deregulation now will cause far more problems than it solves.
- o For other sources of energy, prices will be determined mainly by market forces:
  - coal prices are not controlled by government. In fact, coal demand has been limited by insufficient demand rather than by supply.
  - New sources, like oil shale, will receive the world price of oil.
  - Expensive new sources of gas will get special high prices to encourage exploration and production.
- o The United States has a comprehensive and extensive energy research and development program. We expect to spend \$4-1/2 billion on various programs in 1978. We are exploring new fields -- such as solar and geothermal energy -- and perfecting old ideas -- such as synthetic oil and gas. These will take years to bear fruit, but they will ultimately provide us with domestic sources of energy which are adequate to our needs.

\*\*\*\*\*

This plan will not solve the problem overnight. We will still be consuming too much oil and producing too little of it for a number of years. We will still be importing more oil than is healthy. That is the price we pay for having waited so long already. But with enactment

of this program, we will have made a start and we will be on the way. We will have demonstrated to ourselves and to the rest of the world our will and our maturity. Most important, we will have shown our ability to undertake a difficult task, before the onset of a catastrophe puts our backs against the wall.



THE WHITE HOUSE  
WASHINGTON

Rick--

I've made and given copies  
to senior staff.....and this  
copy for your files.

Thanks -- Susan

THE WHITE HOUSE  
WASHINGTON

9-29-77

Memo to staff re

A matter of grammar:

There is a persistent error  
which continues to cause  
a problem for

Susan and me .

(not Susan and I) in  
correspondence & memos coming  
to the Oval Office. Please  
read the attached pages.

J.C.

## Use of Personal Pronouns

Personal pronouns agree with their antecedents (the nouns they represent) in gender and number, but their case depends upon their construction in the clause in which they appear.

1. The nominative case (*I, you, she, he, it; we, you, they*) is used:

## (1) as the subject of a verb

*I* shall finish the report on Tuesday.

*You* received a fair price for the property.

*They* always pay their bills promptly.

(2) as a predicate complement; that is, a pronoun following some form of the verb *to be*. (Note: the verb *to be* takes the same case after it as it takes before it.)

I think it was *they* who called.

If you were *he*, would you move to California?

Yes, it is *I*.

It was *she* who volunteered to address the circulars.

This construction is a matter of disputed usage, as many modern writers and speakers consider it stilted and advocate the objective case in such constructions: Is it *her* they are visiting? Yes, it is *me* (or *it's me*).

Although such deviations from grammatical form may be justified in informal writing and in speaking, the correct construction should be observed in formal writing.

## (3) in apposition with the subject of a verb

Several representatives, *he* among them, will state their opinions at the next meeting.

Trustees, at least *we* from New England, will stand by the president.

(4) as the complement of an infinitive (When the infinitive has no subject, the pronoun following *to be* is in the nominative case to agree with the subject of the sentence.)

Greene seems to be *he* who made the protest.

The speakers are to be *they* who are running for election.

2. The objective case (*me, you, her, him, us, them*) is used:

## (1) as the object of a verb

The supervisor trusted *her* to make out the payroll.

The delegates unanimously appointed *him* chairman.

→ Our lawyer advised *him* and *me* to sign the contract.

## (2) as the indirect object of a verb

Last year the company gave *him* a bonus.

The witness told *us* the truth.

## (3) in apposition with the object of a verb

→ The judge fined us, both *me* and my brother.

→ The chairman asked them all, Bent, Lowell, and *her*, to vote for the repeal.

## (4) as subject of an infinitive

→ The committee invited *him* and *me* to be present. (not *he* and *I*)

→ I wish you would let *him* and *me* finish the checking. (not *he* and *I*)

## (5) as object of an infinitive

The chairman asked me to invite *him* to the conference.

The buyer asked us to meet *her* at the terminal.

(6) as complement of an infinitive (If the infinitive *to be* has a subject, that subject is in the objective case. Thus, the pronoun that follows the infinitive must be in the objective case, following the rule that the verb *to be* takes the same case after it as before it.)

The manager took *her* to be *me*.

We thought the applicants to be *them*.

## (7) as the object of a preposition

No orders were received from *them* this week.

The outcome depends on *us*.

(8) when a pronoun follows *as* or *than*, it takes the form it would have if the clause were completed.

Frank is more competent than *I* (I am).

Charles is not so accurate as *he* (as he is).

The Blakes are better travelers than *we* (we are).

We like his brother as much as *him* (as we do him).

I trust Greene more than *him* (than I do him).

3. The possessive case (*my, mine, your, yours, his, her, hers, its, our, ours, their, theirs*) is used:

THE WHITE HOUSE  
WASHINGTON

September 29, 1977

Hamilton Jordan

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

RE: CALVIN CARTER ON HISTORIC PRESERVA  
TION BOARD

THE WHITE HOUSE  
WASHINGTON

9-29-77

To Ham  
Put Calvin Carter  
(or his wife Pat) on  
Historic Preservation  
Board

J.C.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON  
September 29, 1977

②

MEMORANDUM FOR THE PRESIDENT

THROUGH: FRANK MOORE *J.M.*  
FROM: LES FRANCIS *LF*  
MARY SCHUMAN *MS*  
SUBJECT: Progress on Airline Regulatory Reform Bill

You will recall that last week the Senate Commerce Committee approved the concept of "Automatic Market Entry." Today, we won another key victory when the Committee adopted the strong language we have been advocating. The vote was 13 "Yes", three "No", and two not voting:

<u>YES</u>	<u>NO</u>
Cannon	Melcher
Hollings	Goldwater
Stevenson	Schmitt
Ford	
Durkin	
Zorinsky	<u>NOT VOTING</u>
Riegle	Stevens
Pearson	Long
Griffin	
Packwood	
Danforth	
Magnuson	
Inouye	

The only major issue remaining to be resolved in Committee is a "labor protection" clause. The Committee will meet on this item next Tuesday.

The legislative staff task force will be meeting within the next few days to discuss and devise floor strategy.

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THE WHITE HOUSE  
WASHINGTON  
September 28, 1977

MEMORANDUM TO THE PRESIDENT

FROM: JIM FALLOWS *JF*

SUBJECT: Farm Bill Signing

Here are the talking points for the Farm Bill Signing.

(1) The bill you are about to sign is commonly called the 1977 "farm bill," but it is more than a "farm bill." It is a comprehensive statement of our nation's food and agricultural policy, the most far-reaching agriculture legislation enacted within the past 40 years.

This bill

- reaffirms and strengthens our commitment to the family farm.
- commits our nation to a strong program of international food assistance through a strengthening of the P.L. 480 program and a renewed commitment to international cooperation.
- will help correct fraud, waste and abuse in the food stamp program to target this help on those in need by eliminating the purchase requirement, which has deprived millions of the benefit of the program.
- increases research efforts into national and global agricultural and nutritional needs.

(2) You said during the campaign that this Administration could serve the interests of both farmers and consumers through a more sensible food and agriculture policy. This bill is a major step toward accomplishing that objective:

- By tying target price levels to the farmer's cost of production, this bill helps to protect farmers when markets are depressed, without increasing consumer costs. This protection is essential to survival of the family farm.

- By establishing a fair and responsible system of food reserves, substantially held by farmers themselves and subject to strict safeguards governing release, the bill helps protect consumers from high prices when production is low and producers from low prices in time of surplus.
- The bill provides immediate help to grain producers throughout the country who face major losses from this year's crop, by immediately increasing target and loan prices for the 1977 crop year.

(3) Market conditions have been deteriorating for our farmers; that knowledge lay behind the creation of this bill, and it will guide our future actions. This decline has been caused by problems that are international in their scope. To meet this challenge, we must move on several fronts at once -- to strengthen our domestic agricultural economy, to compete more vigorously in world markets, to build a system of international food reserves, and to make solutions to our agricultural problems a primary objective of our international trade negotiations.

(4) Our task is not done with the signing of this bill. A large agenda lies before us:

- Many of our public agricultural institutions need reform, revitalization, and reorganization. We have only begun to give this issue the attention it requires.
- To fight hunger among the less developed nations, but the rich and the poor nations must share their knowledge and resources.
- We must find better ways to protect our food sources against natural disasters.
- We face important questions about how to sustain our land and water resources in the future.
- We need to adjust our agricultural system to cope with higher energy prices.

(5) The measure represents the culmination of many months of work by the Congress and the Executive branch. You might recognize the leadership of Herman Talmadge, Tom Foley, and Bob Poage, your personal appreciation to Bob Bergland and his top staff for their tireless efforts in shaping this



important policy. And, finally, we appreciate the valuable assistance we have received from the many people representing farmer, consumer and nutrition groups who have been interested enough in this policy to make their views known to us. It is this broad range of interest and involvement that gives this legislation its strength and vitality.

(6) The bill is not perfect in every respect, but it represents a solid and worthwhile achievement toward the reform and improvement of our agricultural and food policies. It shows that it is possible to establish a constructive partnership between the Executive branch and the Congress in this important area of national concern.

# # #

BERGLAND LETTER

THE WHITE HOUSE  
WASHINGTON

September 29, 1977

The Vice President  
Stu Eizenstat  
Frank Moore  
Jack Watson  
Jim McIntyre

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling and delivery.

Rick Hutcheson

cc: Bob Linder

RE: LETTER TO SEC. BERGLAND  
ON THE FOOD AND AGRICULTURE  
ACT OF 1977

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR

THE SECRETARY OF AGRICULTURE

I have serious reservations concerning the provision in the Food and Agriculture Act of 1977, that would require the Secretary of Agriculture to submit food stamp pilot projects to the appropriate congressional committees for approval prior to implementation. I am informed by the Attorney General that such provisions are unconstitutional. They permit Congress to play an unauthorized role in the execution of the law in violation of Art. II, §7 of the Constitution and permit Congress to control the exercise of discretion by means short of legislation subject to the veto power of the President in violation of Art. I, § 7.

You should regard this provision as requiring the submission of proposed plans for pilot projects to the appropriate committees in advance of implementation. After that submission, you should entertain, for a reasonable but limited period of time, and carefully consider, any comments the committees or other members of Congress may offer. You should, however, implement the plans that are, in your view, the best ones to carry out the purposes of this bill. *I would like to be informed before any changes are made in the proposed plans after they are submitted to Congress.*

*J.Q.*

**SIGNING STATEMENT**

THE WHITE HOUSE

WASHINGTON

September 28, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT



SUBJECT: Farm Bill

Attached is a signing statement, if you decide to sign the Farm Bill, which we drafted along with the Vice President's staff, and Jim Fallows.

It was our feeling, and that of the Vice President, that if we do sign this bill, the signing statement ought not to be apologetic or half-hearted in tone. We might as well reap whatever political dividends we will accrue together with the large cost of the program.

THE WHITE HOUSE

WASHINGTON

September 28, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*  
LYNN DAFT *LD*

SUBJECT: Enrolled Bill S. 275 - Food and  
Agriculture Act of 1977

THE BILL

S. 275 is one of the most complex pieces of legislation passed in this session of Congress. It contains 19 separate titles and is nearly 150 pages in length. It establishes a four-year comprehensive farm program for the major farm commodities; provides for the creation of grain reserves; extends and amends P.L. 480; extends and reforms the Food Stamp program; and authorizes increases in agricultural research and extension activities.

VOTES IN CONGRESS

The bill passed the House by a vote of 283 to 97 and the Senate by a vote of 63 to 8.

EVALUATION

The major strengths of the bill are as follows:

- o It preserves the target price concept, thereby minimizing governmental interference and maximizing the use of markets in resource allocation.
- o The level of income support (as reflected in the target price) is linked to cost-of-production, as you advocated during the campaign. Land costs are valued conservatively (3.5 percent of current value) in establishing the initial target price levels and the annual out-year adjustments include no charge for either management or land. In addition, the target prices are based on the cost of production of each individual commodity, thus minimizing crop production distortions.

- o The bill mandates a grain reserve similar to the farmer-held program we have already initiated. Again, this is consistent with your campaign promise to institute a system of grain reserves that is partially farmer-held and partially government-held. Also, this provision, in combination with a requirement that government-held stocks not be released until market price reaches 150% of the loan level, establishes for the first time a partial price ceiling to match the traditional price floor.
- o Acreage allotments -- which tended through time to acquire the capitalized value of program benefits, resulting in a highly inefficient and inequitable distribution of these benefits -- are eliminated by the new bill. This is a significant accomplishment.
- o Loan levels of the major grains are set low enough to enable the U.S. to remain competitive in world markets. In addition, provisions for downward adjustment in the loan level should market price fall within 105% of the loan level were added at our request.
- o Though crop year 1977 target prices are set higher than the Administration had initially proposed, they will provide income support to individuals and communities that are badly in need of economic assistance.
- o The current set-aside authority is maintained, providing an important discretionary supply-management tool.
- o The food stamp program is significantly reformed by elimination of the purchase requirement, establishment of a single benefit reduction rate, and the adoption of a more standardized deduction. (Employment-related dependent care expenses and excess shelter costs are additional beyond the standard deduction).

This bill also has several shortcomings, among the more significant of which are these:



- o The bill mandates a price support program for sugar between 52.5 and 65% of parity, but not less than 13.5 cents per pound raw sugar equivalent. This is probably the single most objectionable feature of the bill. Implementation of the program will require some form of trade restriction, probably a higher tariff.
- o The target price for rice (\$8.35 per cwt in 1978) is substantially above those levels that would make it comparable to the other grains.
- o Most of the target prices provided in the bill are slightly above Administration preferred levels.
- o The current limit on deficiency payments (\$20,000 per farm) is more than doubled to \$50,000 by 1980.
- o There is an accumulation of relatively minor, special interest provisions in the bill that might be placed under the heading of "minor nuisances." They include:
  - continuation of the beekeeper indemnity program,
  - a new Department of Agriculture role in university training and curriculum development,
  - a 5-year hydrocarbon and gasahol R&D program,
  - a solar energy R&D program,
  - import restrictions on filberts (mostly from Turkey),
  - an increased Federal share of grain inspection costs,
  - criteria for the establishment of new advisory committees, and
  - a new wheat products research and market promotion program.

### PROGRAM COST

It is important to review the budgetary effects of several modifications of the bill that occurred shortly before it was passed. These budgetary effects can be best explained by briefly recounting the evolution of the bill. (We are working on a more thorough critique and postmortem with Charlie Schultze. We provide this summary here because of your request to the Secretary to explain the high program costs, which has not been done in writing.)

- (1) The initial Administration proposal presented by Secretary Bergland to the Agriculture Committees on March 22 and 23 for wheat, feed grains, and cotton was estimated to involve annual average outlays of \$1.4 billion for the 1978-81 crops. This estimate included only deficiency payments, CCC loan and inventory outlays and storage payments for the producer-held grain reserve. These are the elements of the budget function most directly affected by the price and income support options that were under consideration at that point. Also, since it was not anticipated at that time that crop year 1977 target prices (which are reflected in FY 1978 budget costs) would be changed, the budget cost comparisons were made for the period FY 1979-82. The associated target prices and loan levels in the initial proposal for 1978 were:

	1978	
	<u>Target Price</u>	<u>Loan Level</u>
Wheat	\$2.65	\$2.25
Corn	\$1.75	\$2.00

As you know, this initial proposal did not meet with much enthusiasm on the Hill.

- (2) As a result, Secretary Bergland offered a revised proposal on April 18. It was during this deliberation that you set the \$2.0 billion annual average guide for these programs. The associated target prices and loans were:

	1978	
	<u>Target Price</u>	<u>Loan Level</u>
Wheat	\$2.90	\$2.25
Corn	\$2.00	\$2.00

The average annual outlay for these levels was estimated at just under \$2.0 billion and again included the same items as above: income support payments, CCC loan and inventory outlays, and reserve storage payments.

- (3) The Senate completed action on their bill on May 24. The outlays were estimated to average \$3.7 billion annually (for the same items as above), an amount clearly unacceptable to the Administration. It was then obvious that a less expensive bill would have to be obtained in the House, and then held in Conference.
- (4) On the House side, the Agriculture Subcommittees reported programs to the full Committee for the respective commodities and items set out above that, when combined, would have cost over \$6.0 billion annually. Chairman Foley and Congressman Poage then effected a compromise with loans and targets at much lower levels:

	1978	
	<u>Target Price</u>	<u>Loan Level</u>
Wheat	\$3.00	\$2.35
Corn	\$2.10	\$2.00

Including the same items as above, the estimated average annual outlay was \$2.3 billion.

- (5) It was at this point that the "young turks" in the House threatened to increase the target price levels to near those in the Senate bill, and to also substantially increase those for 1977. Chairman Foley suggested that if he proposed an increase in the 1977 levels, with Administration support, that the 1978-81 levels could be held. The 1978-81 target prices were slightly above what we preferred, but the risk of their being set even higher was great, so the Secretary of Agriculture agreed with Foley.
- (6) The House Committee reported the bill, and the targets and loans were not changed on the House floor. But if used, the target prices for barley and oats should be set using cost of production, the same as for the other commodities. This bill, with the programs costing \$2.3 billion (excluding oat deficiency payments), then went to the Conference Committee. Our position there was that we must have the House levels and the Conferees agreed, making only minor modifications.

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- 6 -

Thus, on a comparable basis to the \$2.0 billion guideline, the Conference bill could cost either \$2.3 or \$2.6 billion annually, depending on the treatment accorded oats.

To obtain the total for all programs financed by the Commodity Credit Corporation, the costs for disaster payments, the minor commodity programs, and other activities must be included.

*\$ 300 - 600 mil more*

The average annual cost of these components for FY 1979-82, assuming favorable weather, is as follows:

Major commodities		\$2,482 million*
Disaster payments	420	
Dairy	257	
Peanuts	68	
Soybeans	-34	(more sold out of stock than taken in)
Storage facility loans	60	
Wool	45	
Emergency livestock feed	28	
Tobacco	-62	(more sold out of stock than taken in)
Interest	502	
Short-term export credit	66	
Dairy and beekeeper indemnity	3	
Other	62	
Subtotal		<u>\$1,415</u>
Total price support and related		\$3,897**

For comparison, the current estimate for FY 1978 is \$6.1 billion. As noted above, our deliberations over the farm bill were confined to FY's 1979-82, since we were not proposing changes in the 1977 crop support levels. Thus, the \$2 billion guideline you suggested was never related to FY 1978.

The sharp increase in FY 1978 budget outlays is the consequence of stock increases for the major commodities and our earlier decision to raise the milk price support

\*This figure is based on more recent supply/demand estimates than those used in making the above estimates.

\*\*The comparable 1979-82 estimate for a bad weather scenario (based on 1972-75 experience) is \$368 million.

level. The stock build-up depressed farm prices, sharply accelerated price support loan activity, and generated pressure for the Congressional increase in the 1977-crop wheat target price and the decision to boost feed grain price support levels. It also gave us the opportunity to build reserves and our desire to keep the reserve mainly in farmers' hands resulted in a decision to liberalize the farm storage facility loan program and to pay storage costs for the reserve.

#### AGENCY AND STAFF RECOMMENDATIONS

All relevant agencies either recommend approval or indicate no objection, with four exceptions. Justice, FEA, State, and STR all cite concerns. Justice is concerned that Congressional approval of fourteen mandated pilot projects requiring work in return for food stamp benefits is unconstitutional. A suggested memorandum to the Secretary of Agriculture instructing him to treat the objectionable requirement in a constitutional manner is attached. FEA is concerned that provisions in the bill authorizing USDA research and development in the production of hydrocarbons and solar energy will result in a duplication of effort. We suggest that the Secretary of Agriculture be instructed to coordinate these programs with FEA. The State Department is concerned over the detrimental effect the sugar and filbert provisions will have on our trade relations. However, none of these agencies recommend a veto.

We recommend approval of the bill as does OMB. We feel that given the posture the Secretary of Agriculture took on behalf of the Administration during the Conference, a veto would not be viable. He was acting with full Administration approval. The Conferees were given no indication that a veto would be forthcoming on decisions reached on major provisions other than the sugar program. Moreover, the bill is better than some have indicated. On the merits and given the economic situation in the farm belt, this is probably the best bill possible.

#### DECISION

✓ Sign S. 275  
       Veto S. 275



USDA PROJECTED OUTLAYS FOR AUTHORIZATIONS  
UNDER THE FOOD AND AGRICULTURE ACT OF 1977  
AND OTHER PERMANENT LEGISLATION FOR AGRICULTURE  
AND RELATED FUNCTIONS: 1978-1982 GOOD WEATHER SCENARIO  
(dollars in millions)

ITEM	FISCAL YEAR					
	1978 <sup>1/</sup>	1979 <sup>2/</sup>	1980	1981	1982	4-year average (1979-1982)
<b>I. Major commodities in 1977 Act: <sup>3/</sup></b>						
Wheat .....	1752	495	1856	1037	1273	1168
Feed Grains .....	1583	2095	1683	1356	-684	1121
Cotton .....	170	25	725	-155	--	149
Rice .....	46	54	-12	-37	171	44
Subtotal, (I) .....	3551	2669	4267	2231	760	2482
<b>II. Other commodities/activities in 1977 Act:</b>						
Dairy .....	735	602	313	40	74	257
Peanuts .....	53	110	89	52	22	68
Soybeans .....	314	112	-49	-63	-135	-34
Sugar .....	45	--	--	--	--	--
Disaster payments <sup>4/</sup> .....	505	424	416	410	420	420
Storage facility loans .....	155	121	52	38	27	60
Wool .....	34	39	43	47	49	45
Emergency Livestock Feed .....	35	29	28	26	29	28
Subtotal, (II) .....	1876	1437	892	140	66	634
<b>III. Other commodities/activities not in 1977 Act:</b>						
Tobacco .....	4	-74	-70	-60	-42	-62
Interest .....	285	491	575	535	406	502
CCC Credit .....	303	614	80	249	-680	66
Other .....	75	20	89	68	71	62
Subtotal, (III) .....	667	1051	674	792	-245	568
<b>Total, Price Support, Related and Special activities (I, II, III) .....</b>	<b>6094</b>	<b>5157</b>	<b>5833</b>	<b>3163</b>	<b>581</b>	<b>3684</b>
<b>IV. Other Agriculture functions in 1977 Act:</b>						
Research and Extension .....	734 <sup>5/</sup>	783 <sup>6/</sup>	1231 <sup>2/</sup>	1360 <sup>2/</sup>	1505 <sup>2/</sup>	1220 <sup>2/</sup>
Dairy and Beekeeper Indemnity .....	4	3	3	3	3	3
Subtotal, (IV) .....	738	786	1234	1363	1508	1223
<b>Total, Agriculture functions (I-IV) .....</b>	<b>6832</b>	<b>5943</b>	<b>7067</b>	<b>4526</b>	<b>2089</b>	<b>4907</b>
<b>V. Other functions and authorizations in 1977 Act:</b>						
Food Stamps .....	5686	5781	5898	6128	-- <sup>8/</sup>	4451
P.L. 480 .....	1071	1376 <sup>9/</sup>	1350	1501	1395	1406
Rural Development .....	6	7	7	1	--	4
Advisory Committees <sup>10/</sup> .....	--	--	--	--	--	--
Grain Inspection .....	8	9	9	9	9	9
Subtotal, (V) .....	6771	7173	7264	7639	1404	5870
<b>Total, USDA Outlays for Agriculture and Related Functions, (I-V) .....</b>	<b>13,603</b>	<b>13,116</b>	<b>14,331</b>	<b>12,165</b>	<b>3493</b>	<b>10,777</b>

- <sup>1/</sup> Reflects Appropriation for ongoing programs and includes impact of passage of the Food and Agriculture Act of 1977 where relevant.
- <sup>2/</sup> Reflects 1979 Departmental Budget Estimates for ongoing programs and includes first full year authorities for relevant programs under the Food and Agriculture Act of 1977.
- <sup>3/</sup> Programs included in the April 16 decision, which did not assume (and do not include here) disaster payment provisions.
- <sup>4/</sup> Reflects authorization for increased payment levels in crop year 1977 and extends programs for crop years 1978 and 1979 only.
- <sup>5/</sup> Appropriation Level
- <sup>6/</sup> 1979 Budget Request
- <sup>7/</sup> Authorization levels express sense of the Congress; outlays will depend upon amounts appropriated.
- <sup>8/</sup> Authorization expires in FY 1981
- <sup>9/</sup> Does not include commodity prices consistent with commodity programs due to prior agreement with AID; price consistency herein would include additional outlays of \$67 million.
- <sup>10/</sup> \$250 thousand annually.

USDA PROJECTED OUTLAYS FOR AUTHORIZATIONS  
UNDER THE FOOD AND AGRICULTURE ACT OF 1977  
AND OTHER PERMANENT LEGISLATION FOR AGRICULTURE  
AND RELATED FUNCTIONS: 1978-1982 BAD WEATHER SCENARIO  
(Dollars in millions)

ITEM	FISCAL YEAR					
	1978 <u>1/</u>	1979 <u>2/</u>	1980	1981	1982	Annual Average (1979-1982)
I. Major commodities in 1977 Act: <u>3/</u>						
Wheat.....	1640	-744	-688	-854	1	-571
Feed Grains.....	1566	2053	76	-1846	100	96
Cotton.....	170	-175	1	-10	—	-46
Rice.....	47	72	24	-90	7	3
Subtotal, (I).....	3423	1206	-587	-2800	108	-518
II. Other commodities/activities in 1977 Act:						
Dairy.....	735	570	285	-27	-28	200
Peanuts.....	56	116	79	40	7	61
Soybeans.....	314	157	-270	-202	180	-34
Sugar.....	45	—	—	—	—	—
Disaster payments <u>4/</u> .....	505	397	459	—	—	428 <u>4/</u>
Storage facility loans.....	155	121	52	-12	42	51
Wool.....	34	39	43	47	49	45
Emergency Livestock Feed.....	35	28	32	39	31	33
Subtotal, (II).....	1879	1428	680	-115	281	784
III. Other commodities/activities not in 1977 Act:						
Tobacco.....	4	-74	-70	-60	-29	-58
Interest.....	280	424	298	149	89	240
CCC Credit.....	303	114	-53	-208	-264	-103
Other.....	35	-22	32	39	31	20
Subtotal, (III).....	622	442	207	-80	-173	99
IV. Total, "Price Support and Related (I, II, III).....":.....	5924	3076	300	-2995	216	365
Other Agriculture functions in 1977 Act:						
Research and Extension.....	734 <u>5/</u>	783 <u>6/</u>	1231 <u>7/</u>	1360 <u>7/</u>	1505 <u>7/</u>	1220 <u>7/</u>
Dairy and Beekeeper Indemnity.....	4	3	3	3	3	3
Subtotal, (IV).....	738	786	1234	1363	1508	1223
Total, Agriculture Function (I-IV).....	6662	3862	1534	-1632	1724	1588
V. Other functions and authorizations in 1977 Act:						
Food Stamps.....	5686	5781	5898	6128	— <u>8/</u>	5936 <u>8/</u>
P.L. 480.....	1071	1376 <u>9/</u>	1258	1407	1507	1387
Rural Development.....	6	7	7	1	—	4
Advisory Committee <u>10/</u> .....	—	—	—	—	—	—
Grain Inspection.....	8	9	9	9	9	9
Subtotal, (V).....	6771	7173	7172	7545	1516	7339
Total, USDA outlays (I-V).....	13,433	11,035	8706	5913	3240	8927 <u>11/</u>

1/ Reflects appropriation for ongoing programs and includes impact of passage of the Food and Agriculture Act of 1977 where relevant.

2/ Reflects 1979 Departmental Budget Estimates for ongoing programs and includes first full year authorities for relevant programs under the Food and Agriculture Act of 1977.

3/ Programs included in the April 16 decision, which did not assume (and do not include here) disaster payments provisions.

4/ Reflects authorization for increased payment levels in Crop Year 1977 and extends programs for Crop Years 1978 and 1979 only; average is for 2 years (1979 and 1980) only.

5/ Appropriation level.

6/ 1979 Budget Request.

7/ Authorization levels express sense of the Congress; outlays will depend upon amounts appropriated.

8/ Authorization expires in FY 1981; average is for 1979-1981 only.

9/ Does not include commodity prices consistent with commodity programs due to prior agreement with AID; price consistency here-in would include additional outlays of \$67 million.

10/ \$250 thousand annually.

11/ Total annual average includes 1979-1982 for all items except disaster payments (2 years) and food stamps (3 years).

FOOD AND AGRICULTURE ACT OF 1977  
PROJECTED OUTLAYS UNDER  
GOOD WEATHER ASSUMPTIONS  
(In millions of dollars)

TITLE	FISCAL YEAR					Annual average (1979-1982)
	1978 1/	1979 2/	1980	1981	1982	
Title I: Payment Limitation	--	--	--	--	--	--
Title II: Dairy & Beekeeper Programs	739	605	316	43	77	260
Title III: Wool	34	39	43	47	49	45
Title IV: Wheat	1891	605	1981	1037	1273	1224
Title V: Feed Grains	1847	2291	1873	1386	-684	1217
Title VI: Cotton	271	143	840	-155	--	207
Title VII: Rice	47	54	-11	-37	171	44
Title VIII: Peanuts	53	110	89	52	22	68
Title IX: Soybeans and Sugar	359	112	-49	-63	-135	-34
Title X: Miscellaneous	--	--	--	--	--	--
Title XI: Grain Reserves 3/	--	--	--	--	--	--
Title XII: P.L. 480	1071	1376 4/	1350	1501	1395	1406
Title XIII: Food Stamps	5686	5/81	5898	6128	-- 5/	5936 5/
Title XIV: Research and Extension	734 6/	783 7/	1231 8/	1360 8/	1505 8/	1220
Title XV: Rural Development	6	7	7	1	--	4
Title XVI: Grain Inspection	8	9	9	9	9	9
Title XVII: Wheat Research	--	--	--	--	--	--
Title XVIII: USDA Advisory Committees 9/	--	--	--	--	--	--
Total	12,746	11,915	13,577	11,309	3682	11,606 10/

- 1/ Reflects appropriation for ongoing programs and includes impact of passage of the Food and Agriculture Act of 1977 where relevant.
- 2/ Reflects 1979 Departmental Budget Estimates for ongoing programs and includes first full year authorities for relevant programs under the Food and Agriculture Act of 1977.
- 3/ Costs are included in commodity program titles.
- 4/ Does not include commodity prices consistent with commodity programs due to prior agreement with AID; price consistency herein would include additional outlays of \$67 million.
- 5/ Authorization expires in FY 1981; average includes only 1979-1981.
- 6/ Appropriation level.
- 7/ 1979 Budget request.
- 8/ Authorization levels express sense of Congress; outlays will depend upon amounts appropriated.
- 9/ \$250 thousand annually.
- 10/ Total annual average includes 1979-1982 for all Titles except Title XIII (Food Stamps) where 1979-1981 only are included.



FOOD AND AGRICULTURE ACT OF 1977  
PROJECTED OUTLAYS UNDER  
BAD WEATHER ASSUMPTIONS  
(In millions of dollars)

TITLE	FISCAL YEAR					Annual average (1979-1982)
	1978 <u>1/</u>	1979 <u>2/</u>	1980	1981	1982	
Title I: Payment Limitation	--	--	--	--	--	--
Title II: Dairy and Beekeeper Programs	739	573	288	-24	-25	203
Title III: Wool	34	39	43	47	49	45
Title IV: Wheat	1779	-634	-558	-854	1	-511
Title V: Feed Grains	1830	2234	278	-1846	100	192
Title VI: Cotton	271	-70	127	-10	--	12
Title VII: Rice	47	72	25	-90	7	4
Title VIII: Peanuts	56	116	79	40	7	61
Title IX: Soybeans and Sugar	359	157	-270	-202	180	-34
Title X: Miscellaneous	--	--	--	--	--	--
Title XI: Grain Reserves <u>3/</u>	--	--	--	--	--	--
Title XII: P.L. 480	1071	1376	1258	1407	1507	1387
Title XIII: Food Stamps	5686	5781	5898	6128	-- <u>5/</u>	5936 <u>5/</u>
Title XIV: Research and Extension	734 <u>6/</u>	783 <u>7/</u>	1231 <u>8/</u>	1360 <u>8/</u>	1505 <u>8/</u>	1220
Title XV: Rural Development	6	7	7	1	0	4
Title XVI: Grain Inspection	8	9	9	9	9	9
Title XVII: Wheat Research	--	--	--	--	--	--
Title XVIII: USDA Advisory Committees <u>9/</u>	--	--	--	--	--	--
Total	12,620	10,443	8415	5956	3340	8528 <u>10/</u>

- 1/ Reflects appropriation for ongoing programs and includes impact of passage of the Food and Agriculture Act of 1977 where relevant.
- 2/ Reflects 1979 Departmental Budget Estimates for ongoing programs and includes first full year authorities for relevant programs under the Food and Agriculture Act of 1977.
- 3/ Costs are included in commodity program titles.
- 4/ Does not include commodity prices consistent with commodity programs due to prior agreement with AID; price consistency herein would include additional outlays of \$67 million.
- 5/ Authorization expires in FY 1981; average includes 1979-1981 only.
- 6/ Appropriation level.
- 7/ 1979 Budget request
- 8/ Authorization levels express sense of Congress; outlays will depend upon amounts appropriated.
- 9/ \$250 thousand annually.
- 10/ Total annual average includes 1979-1982 for all Titles except Title XIII (Food Stamps) where 1979-1981 only are included.



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

SEP 28 1977

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 275 - Food and Agriculture  
Act of 1977  
Sponsors - Sen. Talmadge (D) Georgia and  
7 others

Last Day for Action

October 3, 1977 - Monday

Purpose

Establishes a four-year comprehensive farm program setting target prices and loan rates for major farm commodities; provides for the creation of domestic and international grain reserves; extends and amends Public Law 480; extends and reforms the Food Stamp program; authorizes major increases in agricultural research and extension activities; and creates several new programs.

Agency Recommendations

Office of Management and Budget	Approval
Department of Agriculture	Approval
Civil Service Commission	Approval
Energy Research and Development Administration	Approval
Council of Economic Advisers	No objection
Department of the Treasury	No objection
Department of Commerce	No objection
Agency for International Development	No objection
United States Postal Service	No objection
Department of Labor	No objection (Informally)
Department of Health, Education, and Welfare	Defers to Agriculture
Department of Justice	Cites concerns
Federal Energy Administration	Cites concerns
Department of State	Cites concerns
Special Representative for Trade Negotiations	Cites concerns (Informally)

## Discussion

The enrolled bill establishes a comprehensive four-year farm program keyed to target price and loan provisions for major agricultural commodities. It is the result of extended negotiations among the Administration, the Congress and various farm interest groups. Some provisions have been adopted at the Administration's recommendation. Many others, however, were opposed by the Administration. In view of the length and complexity of the bill, this memorandum is addressed primarily to its major provisions and its budgetary costs.

Federal outlays under S. 275 are estimated at \$12.9 billion in 1978, falling to \$11.4 billion in 1981, assuming that expenditures for agricultural research and extension activities rise to levels authorized by the bill. This compares to \$11.2 billion in 1978 and \$8.9 billion in 1981 under the Administration's proposal. These outlay comparisons are shown in greater detail in Attachment A.

## Commodity Programs

Price Support Levels. Target price levels for wheat, feed grains, cotton and rice are significantly increased over current levels and are keyed to the cost of production. They are also higher than proposed by the Administration. Commodity loan programs are based on flexible loan levels (within prescribed limits) to be determined by the Secretary of Agriculture. Specifically, the bill incorporates an Administration supported provision authorizing the Secretary to reduce loan levels by up to 10% in any marketing year where in the previous year average prices received by producers were less than 105% of the loan level.

Target prices and loan levels adopted in S. 275 are compared to the Administration position in Attachment B.

S. 275 authorizes low yield and prevented planting disaster payments for the 1978 and 1979 crops. It also extends the authority of the Secretary to establish mandatory and voluntary acreage set-aside programs where annual commodity carry-overs are excessive.

The Department of Agriculture estimates that the four-year average annual budget outlays for the price support provisions of S. 275 will range from nearly no cost under a "bad weather" scenario to \$3.1 billion under a "good weather" scenario. Under the same weather assumptions, the average annual outlays for those programs included in your April 16 decision, including disaster payments would range from \$0.2 to \$2.4 billion. Increases in the support price levels above your April 16 decision account for the \$700 million difference between the "good weather" estimates.

The estimates for S. 275 assume that mandatory and voluntary acreage set-asides will be effective in holding costs down. For example, the "good weather" cost estimates are based on assumed reductions in planted acreage of major crops as follows:

	<u>Planted Acres (Millions)</u>				
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Wheat	74.4	66.0	75.0	66.0	70.0
Feed Grains	128.7	121.0	115.5	116.0	115.0
Cotton	13.3	11.5	11.7	10.0	12.5

Grain Reserves. The bill requires the Secretary to establish a producer storage program for wheat and feed grains through price support loans repayable in 3-5 years. The size of the reserve is not to exceed 700 million bushels, nor fall below 300 million. Incentives are to be incorporated into loan agreements to encourage producers to redeem pledged crops when market prices exceed 140% of current price support levels. At the same time, Commodity Credit Corporation (CCC) stocks would not be sold at less than 150% of the support level. Storage facility loans (up to \$50,000) would be available to individual farmers to encourage on-site storage of various commodities.

The bill also:

- authorizes a special disaster reserve of wheat, feed grains, and soybeans to alleviate hardships arising from natural disasters in the United States; and,

- encourages the President to enter into negotiations with other governments for the purpose of establishing an international emergency food reserve. (The Agriculture Department is now developing legislation to implement your commitment announced in August, to establish such a reserve of up to 6 million tons.)

Sugar Program. Since the expiration of the Sugar Act in 1973, federal price support programs have not been available to domestic sugar producers. S. 275 would establish a new sugar program through which 1977 and 1978 crop prices would be supported at a level between 52.5 and 65 percent of parity, but in no case at less than 13.5 cents per pound. The Secretary would be authorized to suspend the support program whenever he determines that an international sugar agreement is in effect which will assure a domestic market price of 13.5 cents per pound or greater. The Administration opposed this provision, favoring instead a target price program. Agriculture cost projections for S. 275 assume that adequate price levels will be achieved through tariff adjustments.

Payment Limitations. The Administration supported an increase from \$20,000 to \$27,000 for deficiency payments to a single producer for wheat, feed grains, and upland cotton. S. 275 increases the limit to \$40,000 in 1978, \$45,000 in 1979, and \$50,000 in 1980 and 1981.

#### International Agriculture Assistance (P.L. 480)

The bill extends the Food for Peace program through 1981, increases the annual authorized level for food aid donations from \$600 million to \$750 million and restricts the concessional sales program to amounts provided in appropriations acts. It also:

- provides that P.L. 480 reimbursement to the CCC for commodities acquired under a domestic price support program be valued at the export market price (rather than the CCC acquisition cost); and,
- conveys a sense of the Congress that there be no discrimination between price supported and non-price supported commodities.

With the exception of the latter provision, these features are generally acceptable to the Administration.

### Food Stamp Program

S. 275 incorporates a number of significant elements of the Administration's proposal to reform the food stamp program, including:

- elimination of the food stamp purchase requirement;
- setting net income eligibility at the non-farm poverty level; and,
- increased incentives for improved administration and enforcement by the States and greater penalties for households, retailers or wholesalers who commit fraud.

An Administration proposal to replace the present system of complicated itemized deductions from income with a standard monthly deduction from gross income of \$80 plus 20% of earned income for working families was, however, modified. Instead of an \$80 standard deduction, the bill provides for a monthly deduction of \$60 and an additional deduction of up to \$75 per month for employment-related dependent care expenses and/or excess shelter costs. The bill retains the deduction of 20% of earned income for working families. An Administration proposal to continue to establish asset limits for eligibility by regulation, with the intent of maintaining the present \$1,500 limit for most families, was also modified in favor of a higher statutory limit of \$1,750 per household. Both of these modifications were questioned by the Administration in terms of budgetary impact and administrative complexity.

Other food stamp provisions will also raise problems. For example, the Secretary of Agriculture, prior to issuing regulations for the program, must provide them to the House and Senate Agriculture Committees with a detailed justification statement. Of greater importance, however, is the requirement that fourteen mandated pilot projects involving the performance of work in return for food stamp benefits be submitted for prior approval to the House and Senate Agriculture Committees. The Justice Department has long held such

committee-approval provisions to be unconstitutional. They point out that congressional committees may not constitutionally control the exercise of discretion vested in the Executive branch under the doctrine of separation of powers. Justice has attached draft language to its views letter on the enrolled bill for inclusion in a signing statement. That language instructs the Secretary of Agriculture to treat the objectionable committee-approval requirement in a constitutional manner -- i.e., as a requirement that the Secretary notify the Congress of the proposed projects and wait for a reasonable, but limited period of time before implementing them.

Finally, the bill extends the food stamp program for four years, through fiscal year 1981, instead of the two years recommended. In place of the "such sums" authorization in present law which has made the program an uncontrollable entitlement, specific annual appropriation authorizations are provided, beginning at \$5.85 billion in fiscal year 1978 and increasing to \$6.24 billion in fiscal year 1981. To maintain program costs within the authorized levels, the Secretary of Agriculture would require the States to reduce the value of coupon allotments.

The Administration proposal was designed to keep costs within the fiscal year 1978 current services budget level. The food stamp provisions of S. 275 are projected to cost \$385 million more than current services on a full-year basis. However, we believe that Agriculture can schedule the program changes so that there are no added costs in fiscal year 1978 beyond the mid-session outlay estimate of about \$5.7 billion.

#### Other Provisions

During congressional consideration, S. 275 became the vehicle for a number of miscellaneous provisions, many of which were opposed by the Administration and likely would not have passed the Congress on their own merits. Many are intended to expand the Agriculture Department's role in areas under the jurisdiction of other agencies -- for example, energy research and development and aid to higher education.

## Agricultural Research and Extension Services

S. 275 substantially expands the scope of agricultural research activities funded by Agriculture and establishes ceilings for intramural, formula and discretionary grant research activities of \$698 million in 1978, increasing to \$1,137 million in 1982. The bill also sets authorization ceilings for agricultural extension services of \$260 million in 1978 rising to \$350 million in 1982. These activities are not now subject to specific authorizations.

Specific new programs and authorities which the Administration generally opposed include:

- several new research and extension related advisory boards and councils in the Department of Agriculture (including a "Users Advisory Board" which would be required to prepare and submit to the Congress annually an independent assessment of the President's budget for the food and agricultural sciences);
- expansion of the Department's role in nutrition related biomedical research;
- a new direct Departmental role in graduate level research training and in undergraduate curriculum development;
- a new construction grant program for schools of veterinary medicine;
- a new hydrocarbon and alcohol research and development program authorizing a 5-year, \$24 million university research grant program and federal loan guarantees of up to \$60 million for four pilot production projects;
- a new solar energy research and development program providing for demonstration grants, model farms, and regional research and development centers involving agricultural application of solar technology; and,
- a new international agricultural research and extension program which may duplicate certain international agricultural programs currently sponsored by the State Department and the Agency for International Development.



### Miscellaneous Provisions

Other significant provisions of S. 275 which were generally opposed by the Administration include:

- a four-year extension of the beekeeper indemnity program;
- a requirement that the Secretary issue milk content standards for ice cream (this will prohibit adoption of a recent proposal by the Food and Drug Administration to permit the use of casein in ice cream);
- loan rate increases to 100 percent of parity when the President suspends exports of an agricultural commodity;
- a special grazing and hay program designed to ease drought impacts through federal payments to producers who allocate up to 40 percent of their 1977 wheat acreage allotments for hay or grazing purposes;
- extension of domestic marketing order restrictions to imported filberts (expected to severely restrict imports from Turkey);
- an emergency feed disaster program authorizing special federal payments to cattle producers affected by a natural disaster;
- authority to make farm loans for aquaculture;
- a 5-year Critical Lands Resource Conservation program authorizing federal payments to landowners for diverting land to soil conserving crops;
- amendments to the Federal Grain Inspection Act increasing the federal share of grain inspection and weighing costs;
- a wheat products research and market promotion program; and,
- criteria for establishment of new advisory committees in the Department of Agriculture.

### Agency Views

The Department of Agriculture recommends that you approve S. 275. With a few exceptions, all other agencies either concur in the Agriculture recommendation or indicate no objection to your approval of the bill. Some, however, cite concerns. CEA has no objection to approval but has serious reservations about certain provisions of the bill as well as the potentially large budget outlays which it may require. Other sources of agency concern involve the energy research and development programs (FEA); the sugar price support program and import restrictions on filberts (State); and, staffing of advisory committees and special federal hiring of grain inspectors (CSC). These concerns are set forth in greater detail in the attached agency views letters.

### Conclusion

Many of the provisions of S. 275 are objectionable to the Administration, particularly from a budgetary standpoint. In addition, continuing political problems associated with the management of many of these programs can be expected.

This will certainly be the case with respect to the commodity programs. Price supports are set at relatively high levels to bolster farm income and reduce economic risk. With this incentive to expand production, large inventories of grain are likely to accumulate. If mandatory acreage set-asides should fail to halt the build-up of excessive stocks, pressures will arise to impose specific acreage limits or to pay farmers for not producing surplus commodities. Under the grain reserve provisions of the bill, the CCC cannot sell any of its inventory at less than 150 percent of the loan level whenever a farm-owned grain reserve program is in effect. Based on projected market conditions over the next four years, it is quite possible that no wheat or rice will be sold from CCC stocks.

The Agriculture Department estimates that the cost of carrying a bushel of wheat in CCC stock for a year is approximately 35 to 40 cents including interest. The extent to which farmers will be willing

to continue to pay interest on and try to maintain the quality of grain in farmer-held reserves in the face of large projected supplies is problematical. Under current market projections, the CCC could find itself the eventual owner of much of the reserves. While this situation might be accommodated to some extent through increased (probably subsidized) export sales or by applying large acreage limitations or set-asides, costs would still be substantial and strict acreage limitations are likely to produce significant farmer dissatisfaction as program benefits turn out to be less than originally expected.

In addition, the more intensive management of the agricultural economy required by the bill will add significantly to administrative costs. The Department is requesting a \$70 million supplemental appropriation for 1978 to fund 4,000 additional county office employees and 300 new federal employees.

In sum, these provisions, together with others including the proposed large expansions of Agriculture Department research and extension activities, will exert considerable upward pressure on the budget. The primary beneficiaries will be approximately 17 percent of farm operators who contribute over 80 percent of domestic farm production. However, the votes in the House (283 to 97) and Senate (63-8), indicate the strength of support for the bill. While we continue to have grave reservations concerning major features of S. 275, we do not believe that a veto is a feasible alternative given congressional and public expectations that you will sign the bill.

We are working with Department of Agriculture and Domestic Policy Staff to prepare a signing statement for your review.

If you believe that it is inappropriate to address the food stamp encroachment issue in a signing statement, we suggest that you publicly issue a memorandum to the Secretary of Agriculture which instructs the Secretary to treat the objectionable committee-approval requirement in a constitutional manner as described in Justice's views letter.

  
James T. McIntyre, Jr.  
Acting Director

Enclosure

# ATTACHMENT A

## U.S.D.A. Estimate of Federal Outlays (billions)

S. 275

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Commodity Programs	\$ 5.4	\$ 4.1	\$ 5.2	\$ 2.4	\$ .8
P.L. 480	1.1	1.4	1.4	1.5	1.4
Food Stamps	5.7	5.8	5.9	6.1	-- <u>3/</u>
Agricultural Research and Extension	.7	.8	1.2	1.4	1.5
TOTAL	<u>\$12.9</u>	<u>\$12.1</u>	<u>\$13.7</u>	<u>\$11.4</u>	<u>\$ 3.7</u>

### Administration Proposal

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Commodity Programs	\$ 4.1	\$ 2.9	\$ 3.8	\$ 1.8	\$ .5
P.L. 480 <u>1/</u>	1.1	1.0	1.0	1.0	1.0
Food Stamps <u>2/</u>	5.3	5.4	5.4	5.4	-- <u>3/</u>
Agricultural Research and Extension <u>1/</u>	.7	.7	.7	.7	.7
TOTAL	<u>\$11.2</u>	<u>\$10.0</u>	<u>\$10.9</u>	<u>\$ 8.9</u>	<u>\$ 2.2</u>

---

1/ July mid-session review

2/ U.S.D.A. mid-session projections - the July public projections used the revised 1978 budget levels

3/ Food Stamp Program authorization expires at end of 1981

# ATTACHMENT B

## Target Prices and Loan Levels Established by S. 275

1977

	<u>S. 275</u>		<u>Administration</u>	
	<u>Target Price</u>	<u>Loan Level</u>	<u>Target Price</u>	<u>Loan Level</u>
Wheat (bu.)	\$ 2.90	\$ 2.25	\$ 2.47	\$ 2.25
Corn (bu.) *	2.00	2.00	1.70	1.75
Cotton (lb.)	.478	.426	.478	.426
Rice (cwt.)	8.25	6.19	8.25	6.19
Soybeans (bu.)	None	Discretionary	None	3.50
Peanuts (ton)	None	427.60	None	427.60

1978

	<u>S. 275</u>		<u>Administration</u>	
	<u>Target Price</u>	<u>Loan Level</u>	<u>Target Price</u>	<u>Loan Level</u>
Wheat (bu.)	\$ 3.05**	\$ 2.35	\$ 2.90	\$ 2.25
Corn (bu.) *	2.10	2.00	2.00	2.00
Cotton (lb.)	.52	.51	.50	.51
Rice (cwt.)	8.45	6.31	7.20	6.31
Soybeans (bu.)	None	Discretionary	None	4.00
Peanuts (ton)	None	420.00	None	420.00

\* Support levels for other feed grains are based on their historical relationship with corn.

\*\* \$3.00 if harvest is greater than 1.8 billion bushels.

THE WHITE HOUSE  
WASHINGTON

September 29, 1977

The Vice President  
Stu Eizenstat  
Frank Moore  
Jack Watson  
Jim McIntyre

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling and delivery.

Rick Hutcheson

cc: Bob Linder

RE: LETTER TO SEC. BERGLAND  
ON THE FOOD AND AGRICULTURE  
ACT OF 1977